Interim Auditor's Annual Report

Slough Borough Council

2021/22, 2022/23 & 2023/24

October 2024

Contents

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Background

Grant Thornton UK LLP was appointed as the external auditors for Slough Borough Council for 2018/19 onwards. We have reported extensively to Audit and Corporate Governance Committee members surrounding the difficulties experienced in our financial statements audit with the Council. For a detailed report on these issues, please see our October 2023 report to the Audit and Corporate Governance Committee.

We completed our 2018-19 Value for Money report, against the previous NAO Code of Audit Practice, and presented these findings to Members in May 2021 which proposed an adverse conclusion. Our final opinion confirmed our initial proposal and this was reported to Members in February 2023.

In May 2021, we issued four statutory recommendations to the Council in the following areas:

1. Finance capacity and skills
2. Preparation of financial statements
3. Levels of useable reserves
4. Financial governance, monitoring and controls relating to Group entities

In July 2021, after the Council issued its Section 114 notice, we issued two more statutory recommendations: asking the Council to (1) address the Section 114 notice and (2) develop a comprehensive project plan for improvement in governance arrangements.

In February 2023, as a result of an objection received from a local elector in relation to the Council's accounts for 2018/19, we raised two statutory recommendations in relation to (1) the information provided to Members to support decision-making and (2) the role of informal Lead Members and Directors groups for decision-making.

In July 2022, we presented a planning memorandum to the Audit and Corporate Governance Committee which indicated a combined VfM report for 2019/20 and 2020/21. In April 2020, the Code of Audit Practice was revised to greater expand the auditor's obligations in relation to Value for Money. Our report for 2019/20 and 2020/21 therefore incorporated the two separate NAO Codes and made conclusions and recommendations accordingly. We provided the draft report to the Council for their review in March 2023 but did not receive management responses until May 2024 which has caused a significant delay to the presentation of this report to Committee members. We, therefore, presented our 2019/20 and 2020/21 VfM report in May 2024 once we had received management responses. In this report, we raised five new significant weaknesses and key recommendations. We raised one key recommendation in financial sustainability, three key recommendations in governance and one in improving economy, efficiency and effectiveness.

In sum, the Council has eight statutory recommendations against it and five key recommendations from previous reports.

For the sake of contextualisation, we have included a high-level timeline of key events in the following pages.

Timeline

1 April 2021	Slough Children's First was set up following Ministerial direction
18 May 2021	Grant Thornton issue Section 24 Statutory Recommendations to Slough Audit & Corporate Governance Committee
20 May 2021	Grant Thornton issue Section 24 Statutory Recommendations to Full Council
2 July 2021	Section 114 is issued by Chief Finance Officer
14 July 2021	Grant Thornton issue Section 24 Statutory Recommendations to Full Council
1 September 2021	Directions issued to Slough Borough Council under Local Government Act 1999
27 September to 1 October 2021	Oftsed and the CQC conducted a joint inspection of the local area of Slough to judge SEND reforms . Report resulted in Written Statement of Action (WSOA) because of significant weaknesses identified.
25 October 2021	DLUHC's Governance Review (completed by Jim Taylor) is published CIPFA's Finance Review is published Minister of State made a statement including the proposal to transfer powers to Commissioners – putting them in place for 3 years
1 December 2021	Minister Kemi Badenoch confirmed in a written ministerial statement that the Secretary of State was sending commissioners into the council
11 January 2022	The Secretary of State appointed a third commissioner
9 June 2022	Commissioner's first report
1 September 2022	Intervention is expanded as a resulted of the Commissioner's first report – Commissioners provided to exercise all functions of the authority associated with defining the officer structure for the senior positions, to determine recruitment processes and then to recruit relevant staff to those positions
20 September 2022	The Secretary of State appointed Paul Moffat as Children's Services Commissioner for Slough

Timeline (continued)

October 2022	Procurement service is brought back in-house
22 December 2022	Commissioners submitted their second report
16 February 2023	Audit Findings Report for 2018/19 statement of accounts reports Disclaimer of Opinion
22 February 2023	Grant Thornton issues two statutory recommendations to Slough Borough Council in response to an objection. Statutory recommendations are in relation to (1) information to support decision-making and (2) use of Lead Members' and Directors' Group
16 March 2023	Minister Lee Rowley made a written ministerial statement in which he addressed the contents of the Commissioners second report, received 22 December 2022. Changes to the Commissioner team were also announced.
4 May 2023	First whole Council elections – no overall control result (previously Labour now Conservatives in power-sharing arrangement with Liberal Democrats)
22 May 2023	The Secretary of State appointed Gavin Jones as Lead Commissioner and Denise Murray and Gerard Curran as Commissioners at Slough Borough Council
4 August 2023	DfE direction for SEND published following a monitoring visit in February 2023 where the DfE found the service - originally found to have severe weaknesses in 2021 – had not improved quickly or comprehensively enough despite an official written statement of action being approved nearly a year before
14 September 2023	Commissioner's third report published and Minister published written ministerial statement
28 September 2023	Full Council approve the senior management restructure
17 January 2024	Commissioner's fourth report
22 February 2024	Minister Simon Hoare made a written ministerial statement in which he addressed the contents of the Commissioners fourth report and requested a further report by the end of April 2024 in order to take an informed view on the progress being made and whether further intervention is needed beyond November 2024

Executive summary

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2021/22 is the second year that we have reported in this way. We are also reporting in this way for 2022/23 and 2023/24. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below.

Criteria	2021/22 Auditor judgement on arrangements		2022/23 Auditor judgement on arrangements		2023/24 Auditor judgement on arrangements		Direction of travel
Financial sustainability	R	Five significant weaknesses in place. One new significant weakness for 2021/22 and four significant weaknesses outstanding from prior reports. Three statutory recommendations from May 2021 remain outstanding. One statutory recommendation from July 2021 remains outstanding. One key recommendation from May 2024 remains outstanding. One new key recommendation raised in this report.	R	No change from 2021/22	R	No change from 2021/22	↔
Governance	R	Seven significant weaknesses in place. One statutory recommendation from May 2021 remains outstanding. One statutory recommendation from July 2021 remains outstanding. Two statutory recommendations from February 2023 remain outstanding. Three key recommendations from May 2024 remains outstanding. Two new key recommendations and two new improvement recommendations raised in this report.	R	No change from 2021/22	R	One statutory recommendation raised in February 2023 is closed.	↑
Improving economy, efficiency and effectiveness	R	Three significant weaknesses in place. One key recommendation from May 2024 remains outstanding. Two new key recommendations raised in this report for 2021/22.	R	No change from 2021/22	R	One significant weakness from 2021/22 and 2022/23 closed and key recommendation resolved.	↑

Executive summary

Financial sustainability

Overall, we have identified that five significant weaknesses exist at the Council in the financial sustainability portion of this report. One new significant weakness has been identified for 2021/22, 2022/23 and 2023/24 in relation to the asset disposal programme (SW1). The remaining four significant weaknesses have been previously identified in prior year reports but continue to persist at the organisation, namely, significant weaknesses in:

- Finance capacity and expertise (SW2)
- Financial reporting arrangements (SW3)
- Medium-term financial viability and levels of reserves (SW4)
- Budget setting arrangements (SW5)

As a result of these weaknesses, our statutory recommendation from May 2021 surrounding finance capacity and expertise remains outstanding. Our statutory recommendation from July 2021 asking the Council to address the Section 114 notice remains outstanding. Our statutory recommendation surrounding levels of useable reserves from May 2021 and our key recommendation from May 2024 surrounding the Council's medium term financial plan remains outstanding.

In this report, we are reporting that we have identified one new significant weakness and key recommendation in relation to the Council's Asset Disposal Programme. The Council launched its Asset Disposal Programme in September 2021 with the aim of urgently reducing its borrowing and servicing its capitalisation direction. The Council performed well against its target for 2022/23 selling £196m worth of assets against a target of £200m. However, the 2022/23 outturn was heavily reliant on the sale of one Council property known as Akzo Nobel. Akzo Nobel was a site acquired by the Council in 2020/21 with a plan to re-develop the site for a mixture of commercial and residential development. This was initially purchased for £40.9m for the HRA and funded by a mixture of borrowing and reserves. The site sold in November 2022, approximately eighteen months after its original purchase, for £144m. The Council recognised £104m in profit from the sale of the site. The sale of this site has been the subject of intense debate between the Council and the Commissioners and ourselves as external audit. We raised concerns due to the size of the surplus and the short time frame between acquisition and sale. We are also concerned that the Council's disposal plan is functioning as a 'fire sale' as there appear to be many transactions where the Council is losing money on the sale. The Council's financial situation is such that it almost has no choice but to make the loss but this raises concerns as asset disposals are one-off and the Council will eventually run out of assets to dispose of. If it is not securing value for money on the assets it is selling and only has a finite amount of assets to sell, this raises significant concerns regarding the financial viability of such a strategy.

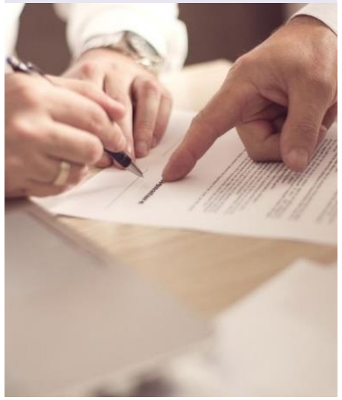
In March 2024, additional concerns were raised regarding the disposal of a site which was a former police station on the High Street in Langley, Slough. Accounting treatment risks were identified which suggested that the capital receipt identified may not be attributable to the General Fund as the site had been originally classified as Housing Revenue Account.

If it was not attributable to the General Fund then this capital receipt would not help the Council with financing its capitalisation direction and securing financial viability. This example demonstrates that the Council's history of financial management weaknesses are still putting its current financial sustainability at significant risk.

Financial Statements opinion

At the time of drafting this report, the 2021-22, 2022-23 and 2023-24 financial statements have not been produced, published and presented for audit.

Latest estimates by finance officers are that the draft accounts for 2021-22 and 2022-23 will not be available until early November 2024, and the 2023-24 draft accounts are estimated to be prepared by end December 2024.



Executive summary

As reported in the 2023/24 outturn, the Exceptional Financial Support by way of a Capitalisation Direction as at 31 March 2024 is estimated to be £298.6m (subject to the outcome of the external audits) and financed by net capital receipts from asset disposals. The asset sales completed as at 31 March 2024 is currently below this target and increasing the revenue pressures from borrowing required to support the budget. Most recently, we have been informed, by officers and through discussion with the Commissioners, that the Council is now realising that the original Asset Disposal Programme did not take appropriate account for the impact of impairments on the forecast capital receipt from the disposal of the asset. The associated impairments, that are now being incorporated into the models, are showing that the Council is likely to receive less in capital receipts than it forecast. This points to an organisation that is working in a siloed fashion as the Asset Disposal Programme forecasts failed to take appropriate account of the financial implications of disposing the assets. Collaborative development of the Asset Disposal Programme between property and finance should have considered this in the original plan. For these reasons we raise a significant weakness and key recommendation.

In addition to this key recommendation, we also consider that the statutory recommendation relating to finance capacity and expertise remains outstanding. We identified a series of internal control deficiencies at the authority, many of which could be traced back to weaknesses in the finance team. The CIPFA report from October 2021 also recommended that the Council enhance its financial capacity. In November 2021, the Council reported that the finance team had a high number of competent individuals but many were employed on an interim basis. The risks surrounding this came to fruition in March 2023 when a significant number of these individuals left with the former Section 151. At the time of writing 37% of finance posts are interim, acting up or vacant. There has been significant churn at senior levels in the finance team, for example, there have been four section 151 officers since April 2021. We continue to observe weaknesses in the finance team which are exposing the organisation to increased risk. We have seen evidence of siloed working, skills and capacity deficiencies which have resulted in the Council requiring to commission external consultant support, a lack of institutional memory and consistent leadership, a low level of organisational resilience which is causing delays to the recovery programme. We consider these weaknesses to demonstrate that our statutory recommendation from May 2021 remains outstanding. Closely related to the May 2021 statutory recommendation was our July 2021 recommendation which asked the Council to address the Section 114 report and invest significant resource into finance, internal audit and risk management in order to ensure statutory obligations are met. We do not consider that the Council has met the demands of this recommendation and consider it to also be outstanding.

We continue to observe weaknesses in the Council's financial reporting arrangements. At the start of our audit period for this review (1 April 2021), the Council's last signed externally audited financial statements were for 2017/18. As part of our 2021/22 reporting, we noted we had found significant weaknesses in the processes for preparing the Council's financial statements. We reported inadequate arrangements to prepare working papers and difficulties in obtaining sufficient documentation. In 2022/23, we continued to identify errors in the 2018/19 accounts which required the Council to substantially rewrite the statements. We found evidence of failings over a number of years which resulted in ineffective and inadequate financial management practices in place. In February 2023, we reported our finalised findings on the 2018/19 financial statements. We reported a Disclaimer opinion – meaning that it is our view that the possible impact of the undetected misstatements within the accounts due to lack of audit evidence could be both material and pervasive. This conclusion was unprecedented and made Slough one of the first authorities to receive such an external audit opinion. We wrote at the time that this reflected a standard of accounting and financial management which is incompatible with the Council's responsibilities to exercise proper stewardship over public funds. In October 2023, we provided Members with a detailed examination of why the issues surrounding the 2018/19 accounts had arisen. We pointed to the finance team's capacity, the Council's use of interims, the failures of the accounting processes and systems, the quality of the working papers provided, the impact of COVID-19 and the culture at the organisation. At the time of writing this report. the Council has produced and published draft financial statements for 2019/20 and 2020/21, with 2021/22, 2022/23 and 2023/24 still to be published. We continue to work with the Council to support its delivery of its draft accounts for publication but continue to find a significant weakness in arrangements. Our statutory recommendation from May 2021 on the preparation of the financial statements remains outstanding.

Executive summary

Our third statutory recommendation from May 2021 related to levels of useable reserves. We asked the Council to take urgent action to address its low level of reserves. The Section 114 notice from July 2021 referred to a history of severe depletion of unallocated general reserves. As reported in our May 2021 statutory recommendations report, we noted that in the 2021/22 budget, forecast reserves were £11.425m at the end of 2020/21. This assumed the use of £8.1173m of general fund reserves and £3.252m of earmarked reserves. However, due to findings arising from our 2018/19 audit of the financial statements, there was a further reduction of general fund reserves of £7.573m in the 2018/19 accounts. This adjustment reduced available general fund reserves down to only £550k.
Due to the fact that the Council is still in the 'discovery' phase of the financial recovery programme, if historical issues are identified, this poses a risk to the Council's reserves balance. We have already seen this happen with the Balance Sheet Review performed by EY. The report noted that the results of the Balance Sheet Review at that point in time had resulted in a total net reduction to the Council's general fund useable reserves of £6.8m in 2022/23 and £30.2m across 2019/20 to 2022/23. This has been incorporated into the 2023/24 provisional outturn (excluding £0.3m of additional MRP charges). We, therefore, do not have confidence that the Council has a plan in place with regard to the level of usable reserves required to deliver its medium term financial plan. Our statutory recommendation remains outstanding.

Closely related to the point surrounding reserves is the question of the Council's medium term financial plan. We raised a key recommendation in our prior year report for the Council to work to achieve medium term financial sustainability through the progression of the asset sales programme, delivery of recurrent savings and management of the DSG deficit. We are pleased to report that the Council has made positive progress in management of the DSG deficit and we do not consider this to be of significant risk at the time of writing. However, we assert that the recommendation remains outstanding due to our lack of assurance in the Council's medium term financial plan. Although we note improvement in the level of grip on the financial position as a result of the Balance Sheet Review, we cannot yet have assurance in the Council's medium term financial plan and cannot rely on the figures produced by the Council for the medium-term financial plan. This is partly due to the lack of audited accounts for a number of years, the Council's known weaknesses in financial management processes and that at the time of writing, the Balance Sheet Review had not yet concluded and had found significant further financial challenges. The Council's medium-term position continues to change and there continue to be material changes to budget monitoring reports. There have been significant further concerns surrounding the Council's financial management processes raised during 2023/24 and into 2024/25. We therefore conclude that we do not have assurance that the Council will be able to deliver its medium-term plan or be financially viable in the medium term and therefore continue to recognise a significant weakness in arrangements to secure financial sustainability.

We also continue to identify weaknesses in the Council's budget setting arrangements, though these issues closely relate to the Council's finance capacity and expertise. Shortly after the 2021/22 budget was set, the new S151 officer issued the Section 114 notice which exposed the weaknesses in the 2021/22 budget and financial management arrangements. The 2022/23 budget was set but was only able to balance through the incorporation of the 'in principle' capitalisation direction support. The Commissioner's noted that they did not think the savings in the 2022/23 budget were realistic or achievable. Similar to 2021/22, shortly after the 2022/23 budget was set, the Council was reporting that they were unlikely to deliver the forecast savings and were reporting significant overspends. There was slight improvement in 2023/24 budget setting but the Council is very much still in the discovery phase of understanding the extent of its issues so during 2023/24, several balance sheet related issues were identified which resulted in a significant overspend and the Commissioner's conclusion that the Council had been inadequately monitoring critical elements of the balance sheet. For the 2024/25 budget, the Council had undertaken a range of budget deep dives and zero-based budgeting reviews to identify the potential to remove any non-essential expenditure. The Commissioners re-iterated that performing exercises such as these is a short term solution to a long-term problem. The Council needed to create a target operating model to support its long term financial sustainability and we note that this is starting to be developed in earnest now. Overall, we identify a significant weakness in the Council's budget setting arrangements which is initially identified in 2021/22 and remains outstanding in 2022/23 and 2023/24. We do not consider there to have been sufficient progress in 2022/23 and 2023/24 to warrant the significant weakness to be de-escalated, this is particularly evidenced by overspends in 2021/22, 2022/23 and 2023/24 budgets alongside the Commissioner's critiques of the 2024/25 budget. We consider our May 2021 recommendation on finance capacity and expertise to be relevant to this weakness and note that it remains outstanding.

Executive summary

Governance

Overall, we determine that seven significant weaknesses persist at the Council for 2021/22, 2022/23 and 2023/24. We raise two new significant weaknesses and key recommendations in this report in relation to the transformation programme (SW1) and the permanence of senior staff (SW2). We consider that a previous significant weakness and statutory recommendation from May 2021 and key recommendation from May 2024 relating to the monitoring and governance of group entities (SW3) remains outstanding. We consider that our July 2021 statutory recommendation asking the Council to produce a comprehensive project plan for governance (SW4) remains outstanding.

We find that the Council has addressed the demands of one of our statutory recommendations from February 2023 surrounding using informal groups for decision-making. This is very positive progress and worthy of note. However, we find that one of our statutory recommendations from February 2023 remains outstanding (SW5) and our key recommendations from May 2024 relating to the Council's decision-making processes (SW6) and the governance of Slough Children's First remain outstanding (SW7).

Our May 2021 statutory recommendations included one recommendation relating to governance: we asked the Council to review and implement effective financial governance and monitoring arrangements for its group entities. We had identified control weaknesses relating to the separation between the financial transactions of Slough Council and James Elliman Homes (one of the Council's wholly owned companies). We consider this recommendation to remain outstanding at the time of reporting as there continues to be a lack of separation between the transactions of the company and of the Council. At present, the Council is also experiencing significant financial viability concerns regarding James Elliman Homes, which has a knock-on impact for the Council's own financial arrangements and sustainability. We also consider our key recommendation relating to management of Council subsidiaries to be outstanding for these reasons.

In July 2021, we raised a statutory recommendation asking the Council to develop a comprehensive project plan for improving governance arrangements. We have repeatedly asked the authority to provide a progress update on whether this recommendation has been addressed but are yet to receive any update from the Council. We therefore consider this recommendation to be outstanding.

In our prior year report, we identified a significant weakness and key recommendation regarding the Council's ability to make informed decisions and properly manage risks referring specifically to the Our Futures transformation programme. For 2021/22, 2022/23 and 2023/24, we have identified a new significant weakness in relation to the Council's transformation programme and management of external review recommendations. We consider this to be closely related to the previous key recommendation surrounding informed decision-making but this new key recommendation has a focus on the Council's arrangements for tracking and monitoring recommendations from external reviews and then using these recommendations to inform the improvement/transformation programme. To our knowledge, the following external reviews have taken place in recent years:

- LGA Peer Review 2019
- LGA Governance Review 2020
- Grant Thornton's statutory recommendations (four recommendations) May 2021
- Grant Thornton's statutory recommendations July 2021
- DLUHC's governance review September 2021
- CIPFA financial review October 2021
- SBC Revenues and Benefits Service Review 2021 – by CIPFA

Outside of these reviews, the Council has also had recommendations raised by the Commissioners in their regular reports to the Minister. What is clear is that Slough Borough Council has been subject to significant external review in recent years, resulting in a substantial number of recommendations aimed toward the Council's improvement. Throughout our review for this report, it became clear that the Council has not had the appropriate apparatus in place to manage the recommendations raised from previous external reviews.

Executive summary

It was also noted in the DLUHC governance review that ‘the Council structure is not mature nor adequate enough to deliver on the significant challenge facing the Council.’ What appears to be happening is that the Council tries to respond to the recommendations raised in the most recent review (for example, the fourth commissioner’s report), but tracking and monitoring of recommendations from previous reviews has not been sufficiently prioritised.
This is also impacted by the significant churn at the organisation that the ‘responsible owner’ for the actioning of the recommendation may have left the organisation and changed, making it difficult to hold individuals accountable and to track who is responsible for what recommendation. The same has occurred with recommendations raised by internal audit.

However, the Council has responded proactively to the latest Commissioners’ report (the fourth report). In response, the Council has prepared and presented the Phase 2 Recovery Plan. To officers credit, the plan is comprehensive and demonstrates the progress the Council has made in some of the areas pertaining to the statutory directions while also indicating the areas for improvement. These are also echoed in the Commissioners’ reports. It appears that this is the first time the Council has done this in response to a Commissioner’s report which is disappointing considering this is the Commissioner’s fourth report and we are almost three years into the intervention process. Commissioners had also brought up the ‘lack of appropriate response’ by the Council to the first Commissioner report in their second report. It has therefore taken a significant amount of time for the Council to apply an appropriate level of importance to the Commissioner’s reports and associated recommendations, contributing to the Commissioner’s critiques regarding lack of pace.

While the Phase 2 Recovery Plan is certainly comprehensive, it only takes the Council so far. The plan goes to March 2026. The Council does not currently have a long-term transformation programme in place which has the ultimate goal of exiting intervention and securing its best value duty as its overriding objective. At this point in the intervention process, we would have expected to see a transformation programme which outlines Slough’s long term trajectory. The Transformation Board was only implemented in March 2024, almost 3 years after the intervention began.

The Commissioner’s fourth report emphasised the need for the Council to develop its target operating model in order to demonstrate how it plans to manage its service provision obligations within its financial envelope in the long term. It is our auditor judgement that the Council is still very far from a point of being able to produce a target operating model that would stand up to any level of challenge or scrutiny due to the fact that the discovery phase is still ongoing and continuing to unearth significant challenges that the Council is needing to firefight in order to manage business as usual activities. Even if the Council were able to produce a target operating model for the Commissioners today, due to the scale of the financial challenge, the assumptions which would have to be made in order to support that model would be extremely volatile to variation and therefore expose the model to significant risk.

We have found a significant weakness in the Council’s arrangements and raise a key recommendation. We recommend that the Council devise a transformation programme which incorporates all the recommendations from the external reviews it has had in recent years, separates the themes of the recommendations into workstreams with phased profiling and delivery of actions, with the ultimate goal of this transformation programme being an exit to intervention and securing the best value duty. This plan must have defined and allocated funding. The Council currently only have £4m allocated to the transformation programme for the next 2 years. We consider this an insufficient amount for the scale of transformation that the Council needs to deliver.

We also identify a second new significant weakness pertaining to 2021/22, 2022/23 and 2023/24 surrounding the permanence of senior staff. During the years of our review (2021/22 to 2023/24), the Council has had significant turnover in the senior management team at the officer level. Since 1 April 2021 to present day, there have been four Chief Executives, four Section 151 officers, five Monitoring Officers, two Directors of Adult Social Services and three Directors of Children’s Social Care. A new corporate leadership team was in place as at July 2023.

Executive summary

This allowed for greater stability and permanence though there has been changes since this team was introduced, further destabilising the organisational leadership. In order for the Council to secure meaningful improvement, it is critical for the Council to have stable leadership. We raise a key recommendation urging the authority to maintain the permanence of the Corporate Leadership Team so far as is reasonably practicable. The level of churn at the organisation has slowed down the pace of improvement which is one of the Commissioner's key criticisms in the fourth report.

It is worth highlighting that there has been a fair amount of turnover at Commissioner level since 1 April 2021. The Lead Commissioner has changed, the Finance Commissioner has changed and the original Assistant Commissioner is now the Lead Commissioner.

In February 2023, we raised two statutory recommendations urging the Council to (1) ensure that for important (in financial or strategic terms) decisions, sufficient and adequate information is made available to Members within the formal governance progresses to support the decisions, including a comprehensive business case. The second (2) statutory recommendation asked the Council to ensure that informal groups were not substituted for formal Member groups for decisions. We do not consider that the Council has progressed enough in the first recommendation to warrant the recommendation being closed. We received a progress update on this recommendation but it was insufficient in detail for us to be able to conclude that this recommendation could be resolved. We consider this recommendation to be outstanding.

We find that the Council has addressed of our second statutory recommendation from February 2023 surrounding using informal groups for decision-making. This is very positive progress and worthy of note. However, we find that one of our statutory recommendations from February 2023 remains outstanding and our key recommendations from May 2024 relating to the Council's decision-making processes and the governance of Slough Children's First remain outstanding.

Our key recommendation in May 2024 relates closely to the previous February 2023 statutory recommendation and asks the Council to ensure that decision-making procedures are followed, decisions are supported by adequate information, decisions are formally recorded and that, for investment decisions, the Council should assess whether those making the decision have the relevant capacity and skills to make the decision. The Council's 2022/23 Annual Governance Statement contained a review of its governance arrangements. This concluded that historic decision-making had been poorly supported by legal and financial advice and that new clearance deadlines and an increased focus on this at CLT had led to some improvements. It also assessed that significant improvements had been made in relation to decision-making at member level, including increasing the amount of information put in Part 1 (public) reports, improving the evidence base for decisions, delivering officer training on decision-making processes and report writing, improvements in data collection and analysis and requiring business cases for specific decisions. The Council, however, continue to have issues with late reports, there are still examples of reports being published after statutory deadlines, forward planning at CLT needs to improve to ensure that senior officers can spend sufficient time discussing strategic priorities and the Council needs to review its external schemes of delegation to ensure they reflect the current management structure. Overall, we consider that this key recommendation remains outstanding.

In May 2024, we raised a key recommendation for the Council to ensure it effectively manages Slough Children's First in terms of governance. In March 2023, Ofsted published its report following the inspection of Slough children's services. The overall judgement was 'requires improvement to be good' but the impact of leaders on social work practice was found to be 'inadequate.' Scrutiny by senior leaders of the Council and governance arrangements were found to be areas requiring improvement. The Annual Governance Statement for 2022/23 included an assessment of governance of children's services and Slough Children's First. The Council recognised the need to improve its corporate parenting role at both officer and member level and support Slough Children's First to deliver cost effective services within its agreed budget. The Council agreed to the Department for Education commissioning a review of business planning by Mutual Ventures. In December 2023, the Council approved an updated business and improvement plan for SCF, together with new contractual key performance indicators, which include indicators relating to short and medium term financial sustainability and value for money. This plan has included increased funding for SCF based on data and benchmarking evidence and on the basis that these funds are being utilised to reduce costs of services in the future.

Executive summary

The Council has made significant positive progress with regard to Slough Children's First and this is evident through the approval for the Corporate Plan focusing on children and young people, the recruitment of a permanent Executive Director for Children who is the Chief Executive of SCF, a new Chairman of the Board, a new Council non-executive director with a finance background and a new Operations Director and a new Finance Director. The company has been taking quarterly reports to the Audit and Corporate Governance Committee showing progress (though these reports have since ceased due to a review of the contract management arrangements).

While we acknowledge the positive direction of travel, we do not consider there to be enough progress to warrant the closing of our key recommendation and significant weakness. The company continues to struggle with poor financial performance and there is now in intervention in two areas: in SEND for the Council and in children's services for the company. From our review, it is clear that there has been significant progress in the governance of Slough Children's First and this reflects a positive direction of travel. 2023/24 proves to be a marked shift toward improved progress and we want to give the Council and the company credit for this positive improvement. SCF was not able to produce an annual report for 2022/23 but has now produced a 2023/24 annual report which was presented to the September 2024 Cabinet. This report shows that SCF has been able to deliver services within its budget for 2023/24 whilst continuing to improve services. There are indications that this will lead to further reductions in the contract sum than those presented in the business plan which was approved in December 2023.
We do, however, remain concerned surrounding the company's relationship with the Council as it is still very much on its improvement journey. There is undoubtedly a positive direction of travel but we do not yet feel comfortable that the governance has improved such that we can de-escalate our significant weakness and key recommendation from the prior year. Risks still remain as is evidenced by our previous commentary but we encourage the Council to continue on this path of improvement. For this reason, our key recommendation remains outstanding but it is worth saying that we will continue to monitor this position and make note of improvements. We are required to assess arrangements from 2021/22 to 2023/24 and while we can see clear improvements in the second half of 2023/24, there continues to be significant weaknesses during the first half of 2023/24 and the preceding years.
We also raise two improvement recommendations in this report asking the Council to include follow up of internal audit actions and recommendations at every directorate leadership team meeting as well as at SLT meetings. We also ask that the Council ensure the Audit and Corporate Governance Committee reports annually on its effectiveness, develops an appropriate training programme for members and remains apolitical with no overlap with scrutiny committees.

Executive summary

Improving economy, efficiency and effectiveness

Overall, we consider that three significant weaknesses remain in improving economy, efficiency and effectiveness. We raise two key recommendations in this report relating to performance reporting and children's services and SEND. The key recommendation for performance reporting is only applicable to 2021/22 and 2022/23 and is not applicable to 2023/24. We consider the key recommendation in relation to children's and SEND to be applicable to all three years under review. We also consider a previous key recommendation from May 2024 to be outstanding.

In our report from May 2024, we raised a key recommendation for the Council to develop its corporate oversight to ensure it delvers improvements in economy efficiency and effectiveness to address the following weaknesses:

- Lack of understanding and cost comparisons with other similar authorities
- Inadequate arrangement to ensure effective partnership arrangements
- Inadequate procurement arrangements.

In this report, we are pleased to note that there has been significant improvement in the Council's procurement function. The procurement function was previously outsourced and the Council had found it difficult to effectively manage the contract with the provider and this resulted in the procurement function at the authority being fairly ineffective and reactive. In June 2022, the Council informed the procurement provider of the intention to bring the procurement function in-house and by October 2022 the Council had exited the outsourced arrangement. During this time, the Head of Commercial was leading significant efforts to improve the governance processes supporting procurement at the Council, including revising the Contract Procedure Rules and introducing a contracts register. In January 2022, a project was initiated to introduce a contracts register to the Council. By June 2022, the register was in place and the project had entered phase 2 which involves using the register to identify contracts to be terminated as they were surplus to requirements and there were opportunities to gain better value for money through changing the scope of the contracts or combining contracts. In November 2022, updated Contract Procedure Rules (which included raising the threshold) were approved by the Council. By December 2022, Commissioner's had noted there to be notable progress in this area which was to be commended owing to the Council's efforts in improving processes and procedures in the function. The Commissioner's third report from September 2023 praised the Council's efforts surrounding the improvement of the systems and processes supporting procurement and contract management. This included the management of the contracts register, the development of a commercial strategy and the efforts of the head of commercial services. We raise an improvement recommendation to urge the Council to develop a procurement strategy. We have learnt that this is in development but highlight this recommendation to track the Council's progress on this. We do not consider the procurement element of this key recommendation to be outstanding and consider that portion of the key recommendation resolved.

We did not find sufficient evidence of the Council understanding and benchmarking its costs with other similar authorities. 2021/22 was an extremely difficult year for the Council and there was no clear evidence of effort directed toward partnership working in 2021/22. The Council's new Corporate Plan from September 2023 identifies strengthening its partnerships as one of the key principles to the Council's approach. In this report, we found that the Council is not necessarily utilizing the opportunities within its gift to strengthen partnership arrangements. The Council should work to ensure that strengthening partnerships within the context of their transformation journey in order to fully optimise partnership working. There is a partnership element to Slough's transformation journey and target operating model development. We did not observe any evidence of the Council having considered the potential scope for partnerships or opportunities within its business community and how this could support the transformation journey. It was noted in the Commissioner's first report that the interaction between Slough and it's business community is 'not of the highest quality.' We consider that our key recommendation from 2019/20 and 2020/21 asking the Council to ensure effective partnership arrangements remains outstanding.

Executive summary

Improving economy, efficiency and effectiveness

Our review showed that there was only evidence of one performance report being taken to Cabinet during 2021/22 (at the September 2021 meeting). There was no evidence of any other performance reports going to the Cabinet in 2021/22. There was also no evidence of any performance reporting in 2022/23. The next performance report taken to Cabinet was in 2023/24 – in August and October 2023 and April 2024. We conclude this to be a significant weakness in arrangements for 2021/22 and 2022/23. The Council has been able to return to normal reporting for 2023/24 – the significant weakness is therefore lifted in this year.

Children's services continues to be an area where the Council has experienced challenges. The service has been in intervention for over a decade. The delivery model went through a significant change on 1 April 2021 when the Trust was subsumed by a company which is now one of the only Councils in the country who use a wholly owned company to deliver children's services. In August 2023, the Secretary of State issued a statutory direction to the Council in relation to its SEND service provision. Due to the longstanding (renewed yearly) statutory direction on children's services and the new SEND statutory direction, we identify a significant weakness in the Council's arrangements surrounding the performance of children's services. Children in Slough continue to be failed by the Council's performance in its best value duty. We acknowledge that the Council is making significant efforts toward improving and this is acknowledged through the Commissioner's reports, however, we raise a key recommendation. The fact that it took the Council from 2015 to 2019 to see improvements in children's services was considered by DLUHC in its governance review published in October 2021 to be indicative of a Council that does not deliver at pace. This charge was echoed in the Commissioner's fourth report. During 2022/23, the Council/company struggled with increases with demand and high levels of complexity in cases. In January 2023, the Council was subject to an Ofsted inspection that concluded that the service 'requires improvement.' One of the five categories of assessment received an 'inadequate' rating and the other four were 'requires improvement.' The report told a similar story to the DLUHC commissioner's conclusions and found that although there had been improvement from the 2019 position, more needed to be done and improvement was inconsistent. The Council's overall improvement programme (the Phase 2 Recovery Plan 2024-26) supports governance arrangements to monitor the performance of children's. The company is supported by the Slough Children's First Board and the DfE Commissioner monitors progress via the Improvement Board (previously the Getting to Good Board). SCF's strategic leadership team feed into both these boards. Children's Services improvement forms the third pillar of the improvement plan. The SEND WSoA and SCF Improvement Programme are the vehicles through which the Council aims to see improvements. We will continue to monitor the Council's journey and are supportive of the efforts being directed towards securing its best value duty.

Acknowledgements
We would like to take this opportunity to record our appreciation for the assistance provided by Council officers, Council Members and external stakeholders with whom we have engaged during the course of our review.

Use of auditor's powers

We bring the following matters to your attention:

	2021/22, 2022/23 & 2023/24
Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.	We raised statutory recommendations in May 2021, July 2021 and February 2023. These remain outstanding. One statutory recommendation from February 2023 is closed.
Public Interest Report Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.	We did not issue a public interest report.
Application to the Court Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.	We did not make an application to the Court.
Advisory notice Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful.	We did not issue any advisory notices.
Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.	We did not make an application for judicial review.

Securing economy, efficiency and effectiveness in the Council's use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:

Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term
(3-5 years).

Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Our commentary on the Council's arrangements in each of these three areas, is set out on pages 19 to 63.

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Audit & Governance Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications

The current LG landscape

National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023/24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

Key recommendations

Financial sustainability

Key Recommendation 1	The Council must review the basis of the Asset Disposal Programme to ensure that is based on robust, appropriate and reasonable assumptions. This review must include collaborative working between the finance function and the asset disposals/property expertise to ensure that financial implications are considered in the final programme.
Audit year	2021/22, 2022/23 and 2023/24
Auditor judgement	The Council are currently reviewing the robustness of the Asset Disposal Programme. The Council's Medium Term financial plan heavily relies on the Asset Disposal Programme and associated Capitalisation Direction and we do not have assurance that the plan is predicated on appropriate, reasonable and robust assumptions. The Council is dependent on the capitalisation direction to remain financially viable. Without it, the Council would overspend by 78% in 2022/23. The capitalisation direction needs to be financed by capital receipts or additional borrowing. The Asset Disposal Programme is the means by which the Council will finance the capitalisation direction by capital receipts. We have found that there are significant flaws in this programme. That increases the risk that the Council will need to use additional borrowing to meet the capitalisation direction and add to its already disproportionate borrowing costs. We also do not have assurance that the Council has considered what the extensive asset disposal programme will mean for the future operating model as this has been highlighted previously as a weakness.
Management Comments	The Council recognises the need to review the basis of the Asset Disposal Programme, and this process is being undertaken with the clear aim that a more realistic disposals programme is developed and approved – particularly with regard to assets held within the General Fund. A detailed analysis of all general fund fixed assets, setting out likely value (given the limitations within the current market) compared to outstanding loan, net revenue cost or income generated, plus their importance for the delivery of essential front-line services is now being finalised. The review has been undertaken jointly by property and finance colleagues and the outcome will be reflected in the refresh of the Treasury Management Strategy and Medium-Term Financial Strategy (MTFS) to be considered by Cabinet in November 2024. (continued)

The range of recommendations that external auditors can make is explained in Appendix C.

Key recommendations

Financial sustainability

	Management Comments (continued)	Initial findings demonstrate medium term General Fund asset disposal assumptions to March 2027 to be unrealisable and a more achievable programme of disposals for the period will be recommended for Council approval. Any further opportunities will align to the outcome of the review of the future operating model for the Council. The outcome of the asset review will have fundamental implications for the trajectory of debt reduction, MTFS and arrangements for securing long term financial sustainability for the Council, as reflected in the mid-year MTFS refresh, with additional savings required to mitigate the increased capital financing costs arising from the reduction in programmed disposals.

The range of recommendations that external auditors can make is explained in Appendix C.

Key recommendations

Governance

Key Recommendation 2	The Council must devise a transformation programme which is supported by adequate and defined funding which has the ultimate goal of the Council exiting intervention and securing its best value duty. The programme must include how the Council is addressing the recommendations raised from previous reviews or these must be tracked centrally to ensure resolution.
Audit year	2021/22, 2022/23 and 2023/24
Auditor judgement	The Council has a Transformation Programme in place but it is only to 31 March 2026 and does not have exiting intervention in its plan. We have found a significant weakness in the Council's arrangements and raise a key recommendation. We recommend that the Council devise a transformation programme which incorporates all the recommendations from the external reviews it has had in recent years, separates the themes of the recommendations into workstreams with phased profiling and delivery of actions, with the ultimate goal of this transformation programme being an exit to intervention and securing the best value duty. This plan must have defined and allocated funding. The Council currently only have £4m allocated to the transformation programme for the next 2 years. We consider this an insufficient amount for the scale of transformation that the Council needs to deliver. Progress against this plan should ultimately be reported to Commissioners but it is important that officers have their own governance in place, outside the Commissioner-related governance, to report and challenge progress. This can then feed into the Commissioner-related governance structure. The plan must have also considered all means at Slough's disposal in terms of aiding the Council in progressing the transformation programme. We incorporate in our recommendation that the Council consider the benefits of the involvement of the business community in its future recovery plans or in the development of its future organisation-wide transformation programme.
Management Comments	The Improvement and Recovery Action Plan is being refreshed to go to Cabinet by the end of the calendar year. The Improvement and Recovery plan sets out our improvement journey with the goal of moving towards becoming a best value authority and exiting intervention in 2026. Before the plan is published, a progress review against directions and the Council's progress to secure its Best Value Duty will go to Cabinet in November 2024. This will provide a baseline from which to improve. The Plan will then map out, at the high level, the success measures for Slough in becoming a Best Value Council, the actions needed and the rationale for taking these actions, which will need to take account of what has been previously identified as the underlying issue. The Council will seek to integrate previous internal and external audit findings and recommendations, recognising these as key assessments of the issues that need to be addressed, and recognising delivery of the recommendations as key milestones in improvement and recovery. Alongside this, the outline concepts of a future operating model are going to Cabinet in November. This identifies the key workstreams that are needed to implement the operating model, at a high level. (continued)

Key recommendations

Governance

	Management Comments (continued)	The improvement and recovery plan and operating model will set the framework for determining the transformation resources needed within Chief Executives, in other support teams and in frontline teams. There is currently £4m identified, from the 2024/25 and 2025/26 (indicative) budgets to support transformation; this will be reviewed in the context of the 25/26 budget and the scale of investment required to deliver the improvement and achieve sustainable budgets in the future. Proposals are currently being drafted so that capacity can be agreed in the round (within corporate support teams and frontline teams) by the end of the calendar year. In the meantime, interim capacity has been increased iteratively in Chief Executives, under the Director of Strategy, Change and Transformation who started in July 2024, and in support and frontline teams.

Key recommendations

Governance

Key Recommendation 3	The Council and Commissioners should aim to maintain the permanence of the senior leadership team so far as is reasonably practicable. This should also include the second tier of posts.
Audit year	2021/22, 2022/23 and 2023/24
Auditor judgement	During the years of our review (2021/22 to 2023/24), the Council has had significant turnover in the senior management team at the officer level. Since 1 April 2021 to present day, there have been four Chief Executives, four Section 151 officers, five Monitoring Officers, two Directors of Adult Social Services and three Directors of Children's Social Care. In order for the Council to secure meaningful improvement, it is critical for the Council to have stable leadership. We raise a key recommendation urging the authority to maintain the permanence of the Corporate Leadership Team so far as is reasonably practicable. The level of churn at the organisation has slowed down the pace of improvement which is one of the Commissioner's key criticisms in the fourth report.
Management Comments	The Council has implemented an extensive programme of recruitment and retention to achieve a more permanent cohort of senior managers. This has resulted in all but two of the positions on CLT now being filled by permanent staff. Of the remainder the permanent Executive Director of Resources role recruitment deadline has recently passed while the Chief Executive joined in March 2024 on a fixed term contract. The wider leadership team is also substantially permanent, with all Director level posts successfully filled permanently apart from the two roles in finance, where the permanent recruitment is planned to follow the appointment of the Executive Director. While it is inevitable that there will continue to be some change and movement, the council has taken strong steps to have a substantially permanent leadership team and, where necessary, to secure interim support on a longer-term basis.

The range of recommendations that external auditors can make is explained in Appendix C.

Key recommendations

Improving economy, efficiency & effectiveness

Key Recommendation 4	The Council should report on its performance against the key performance indicators (KPIs) which lie behind its Council Plan to Cabinet.
Audit year	2021/22 and 2022/23
Auditor judgement	Our review shows that there is only evidence of one performance report being taken to Cabinet during 2021/22 (at the September 2021 meeting). There is no evidence of any other performance reports going to the Cabinet in 2021/22. There is also no evidence of any performance reporting in 2022/23. We conclude this to be a significant weakness in arrangements for 2021/22 and 2022/23. Given the circumstances the authority was experiencing at the time, it is unsurprising that it was not reporting its performance in line with expectation. The Council has been able to return to normal reporting for 2023/24 – the significant weakness is therefore lifted in this year. *This recommendation is closed. No further work required.*
Management Comments	*This recommendation is closed. No further work required. No management comment necessary.*

The range of recommendations that external auditors can make is explained in Appendix C.

Key recommendations

Improving economy, efficiency & effectiveness

Key Recommendation 5	The Council should make all the necessary steps to continue to work with the Department for Education to improve performance in children's services and SEND.
Audit year	2021/22, 2022/23 and 2023/24
Auditor judgement	Due to the longstanding (renewed yearly) statutory direction on children's services and the new SEND statutory direction, we identify a significant weakness in the Council's arrangements surrounding the performance of children's services. Children in Slough continue to be failed by the Council's performance in its best value duty. We acknowledge that the Council is making significant efforts toward improving and this is acknowledged through the Commissioner's reports. The Council's overall improvement programme (the Phase 2 Recovery Plan 2024-26) supports governance arrangements to monitor the performance of children's. The company is supported by the Slough Children's First Board and the DfE Commissioner monitors progress via the Improvement Board (previously the Getting to Good Board). SCF's strategic leadership team feed into both these boards. Children's Services improvement forms the third pillar of the improvement plan. The SEND WSoA and SCF Improvement Programme are the vehicles through which the Council aims to see improvements. We will continue to monitor the Council's journey and are supportive of the efforts being directed towards securing its best value duty.
Management Comments	The Company will continue to be supported by the Slough Children First Board and the Improvement Board, chaired by the DfE Commissioner as noted in the Auditor judgement above. Progress is also monitored by Ofsted through their programme of Annual Engagement Meetings, which also includes SEND, and a Monitoring Visit or Joint Targeted Area Inspection is expected in the new year. The DfE Commissioner will submit a further report on the progress on the progress of the Company and SEND to the Minister in the coming months. The Company's Annual report will be presented to the Corporate Improvement Scrutiny Committee in October 2024 and the Company's Business Plan will be on the Cabinet agenda in December 2024. Progress against the Company's Improvement Plan is presented to both the SCF Company Board and the Improvement Board. (continued)

The range of recommendations that external auditors can make is explained in Appendix C.

Key recommendations

Improving economy, efficiency & effectiveness

	Management Comments (continued)	The SEND Improvement Board has been reviewed as a result of which there is now a Strategic Improvement Board, attended by the DfE Commissioner, and an Operational Board focusing on day-to day practice. The Written Statement of Action (WSoA) continues to be an area of focus and the DfE oversee progress through three monthly monitoring visits, although the format of these has changed to 'deep dives' rather than the more formal WSoA reporting meetings. Progress in the SEND service is also monitored through the DfE chaired Improvement Board, three-monthly reports to Cabinet and Corporate Improvement Scrutiny Committee. Safety Valve arrangements are reviewed through the Finance Board chaired by the Best Value Commissioner finance lead.

The range of recommendations that external auditors can make is explained in Appendix C.

Financial sustainability

We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

2021/22 budget and performance

The Council set a budget for 2021/22 of £133.57m in March 2021 which was balanced on the basis of utilising £12.2m of a capitalisation direction approved 'in principle' by DLUHC. The budget also agreed a 1.99% increase to Council Tax and 3% increase in the Adult Social Care precept.

Shortly after the budget was set, the Council's Section 151 officer resigned and the new Section 151 officer began to uncover the extent of the Council's financial difficulties.

In May 2021, we concluded that it would be appropriate for us to use our auditor powers to make written recommendations (statutory recommendations) to Slough Borough Council due to inadequate arrangements and insufficient skills and capacity to prepare reliable financial statements and supporting working papers. We also identified concerns regarding the Council's financial sustainability and levels of reserves and weaknesses in financial governance, monitoring and controls in relation to Group entities.

As reported in our May 2021 statutory recommendations report, we noted that in the 2021/22 budget, forecast reserves were £11.425m at the end of 2020/21. This assumed the use of £8.1173m of general fund reserves and £3.252m of earmarked reserves. However, due to findings arising from our 2018/19 audit of the financial statements, there was a further reduction of general fund reserves of £7.573m in the 2018/19 accounts. This adjustment reduced available general fund reserves down to only £550k.

Also noted in our May 2021 statutory recommendations was our concern surrounding the 2021/22 savings programme. The Council identified a programme of £15.576m which in our view was far larger than we had seen delivered in recent years by the Council. We concluded these to be overly ambitious and unrealistic.

In June 2021, the Secretary of State announced an external assurance review of Slough Borough Council's financial position and the strength of its wider governance arrangements. Two days later, the Section 151 officer issued a Section 114 notice citing a 'significant estimated unfunded financial deficit forecast.' The main issues identified and that led to the notice showed the Council had:

- a historic minimum revenue provision (MRP) miscalculation which included an overstatement of asset lives, incorrect use of capital receipts and omission of expenditure from the calculation;
- a significant increase in borrowing from 2016/17;
- a severe depletion of unallocated general reserves;
- incorrect charging of revenue costs to capital;
- a significant overspend on the 2021/22 in-year position.

The Section 151 indicated that a projected in-year overspend, coupled with the corrective historical issues was expected to significantly exceed the levels of available reserves even after for allowing for the 'minded to' capitalisation direction of £12.2m in the Council's budget report.

Financial sustainability

The 2021/22 budget included proposed savings of £15.576m, growth pressures of £12.59m, overall pressures of £19.18m and forecast reserves at the end of 2021/22 of £14.46m. We issued statutory recommendations in May 2021 and July 2021 which made reference to the 2021/22 budget. Statutory recommendation 3 in the May 2021 report echoed the Section 151's concerns on the level of useable reserves at the Council. Statutory recommendation 1 in the July 2021 report asked the Council to put arrangements in place to address the findings of the Section 114. For our findings, please refer to those two reports.

In the interest of examining and reporting on the most up to date position, this report is not going to detail a review on the 2021/22 budget and will instead focus further on the latest 2024/25 budget in order to provide a review of the most relevant budget. The passage of time has rendered a review of the 2021/22 budget position fairly redundant as it is superseded by the 2022/23, 2023/24 and now 2024/25 budget. For a comprehensive account and review of the 2021/22 budget and its associated deficiencies, we encourage users of the accounts to refer to the Section 114 from July 2021, the report published by CIPFA and commissioned by DLUHC from October 2021 and CIPFA's report from September 2022 on lessons learned from Section 114s.

In summary, the conclusions from these reports show that many of the assumptions underpinning the 2021/22 budget were inaccurate and unrealistic. The 2021/22 budget relied on overly-optimistic savings that did not have appropriate supporting documentation on which to base the assumptions, the contingencies set aside for non-delivery were insufficient and the budget lacked in suitable risk assessment on savings delivery. The budget also omitted some additional budget pressures and undeliverable savings. The budget also did not include adequate provisions for the repayment of debt (MRP).

The Council could not produce a final 2021/22 outturn position due to the failure to produce audited accounts since 2018/19. This means that only an indicative outturn position could be issued in September 2022. This shows the Council to be reporting a draft net overspend position against budget of £7.85m before funding and capitalisation is applied. It is important to caveat that this is subject to change from adjustments and changes to prior year accounts which are yet to be closed and could therefore change the impact. Approximately £13.5m of expenditure in excess of budget was forecast to continue into 2022/23 and therefore needed to be funded on an ongoing basis. The Council intend to use the capitalisation direction to resolve the ongoing overspend position.

2022/23 budget and performance

The Council's 2022/23 budget was approved on 10 March 2022 by full Council. The budget included a Council Tax increase of 2.99%. The balanced position required savings of £20m. The budget forecast an estimated level of capital receipts required to balance the budget to be £84.1m.

As noted by the Commissioner's in their first report dated 9 June 2022, the Council's 2022/23 budget was only lawfully set by incorporating a capitalisation direction of £84m to rectify historical balance sheet errors and to allow services to operate at a level compliant with statutory requirements. A lawful budget was approved on 10 March 2022 after a letter from MHCLG provisionally agreeing capitalisation directions from 2018/19 to 2022/23. The Commissioners noted the level of support required to be 'unprecedented' with at least £670m noted to be necessary.

The Commissioners noted that the £20m per annum savings/efficiencies target was going to be extremely difficult for the Council to deliver as 'services are not being funded in an excessive way' so each savings/efficiency proposal would 'require a significant reduction in provision'. They noted that they did not believe the target to be achievable and a goal of £10m would be more realistic. The 2022/23 budget forecasted the Council to continue to need financial support for at least six to eight years into the future.

The Chief Finance Officer's Section 25 report accompanying the 2022/23 budget opened with the following statement:

'The seriousness of the Council's financial position cannot be understated. It faces a financial deficit of £223.1m up to the end of the current financial year and a further estimated £84.1m for 2022/23. The current estimates for 2022/23 show that the budget requirement is 78 per cent greater than sources of funding. It is only with confirmation of significant financial support for the Council from the Department for Levelling Up, Communities and Housing that I can provide members with some assurance on the robustness of the budget estimates and the adequacy of reserves.'

The Commissioner's second report, dated 22 December 2022, pointed to a similar experience to that of the 2021/22 budget where, shortly after the budget was set, significant issues came to light which were not accounted for in the budget. Slough Children's First, announced that they were unable to deliver their agreed savings of £5.44m despite being previously approved by their board. Other Council savings also proved to be undeliverable.

Financial sustainability

The Council reported its provisional 2022/23 outturn to Cabinet in September 2023. As with 2021/22, the Council included a caveat that a definitive outturn position was not possible to produce due to the lack of externally audited accounts. The Council had originally forecast the level of capital receipts that would be required to fund the revenue budget to be £84.1m. However, the provisional outturn reported the level of capital receipts actually required to be £59.2m which is £24.9m less than originally expected. The improved position in 2022/23, due to additional grants and better than expected recovery of council tax, produced additional income of £3.6m which meant that the requirement for capital receipts/capitalisation direction could reduce. Overall, the Council controlled its finances better in 2022/23 than had originally been anticipated.

Various recommendations were raised by the Commissioners and by Council officers around the need for greater transparency of reporting and measures to improve ownership of budgets with regard to 2022/23. These were to be incorporated into the 2023/24 budget setting process.

The Council set the target of delivering savings of £20m for 2022/23. As reported in the provisional outturn, £13.5m of this was actually delivered (67.5% delivery against plan) which represents a shortfall of £6.5m. While reflecting that some progress had been made, this was still short of the level of financial performance that was required.

2023/24 budget and performance

The 2023/24 budget setting process was overseen by a new Chief Finance Officer (S151) in post at the authority. In February 2023, we issued our third tranche of statutory recommendations following an investigation in response to an objection. The statutory recommendations were in relation to (1) information to support decision-making and (2) the use of Lead Members' and Directors' Groups. In the same month, we also issued our substantive Audit Findings Report for the 2018/19 statement of accounts, this is discussed in the section on financial reporting.

The Council approved the 2023/24 budget on 9 March 2023. It included an increase to Council Tax of 7.99% and 2% for the Adult Social Care precept. The balanced position included a capitalisation direction of £31.6m and proposed savings of £22.4m for 2023/24.

In their second report, the Commissioner's noted positive efforts in identifying savings for the 2023/24 budget, alongside delivery plans and risk assessments. For the 2023/24 budget, the Commissioner's pointed out the Council's ongoing need for a capitalisation direction but were pleased to note that it was at lower levels than 2022/23.

In July 2024, the Cabinet received the provisional 2023/24 outturn. The Council reported an overspend of £15.5m of which £11.7m is an underlying overspend. These pressures will continue into 2024/25.

The Council forecast that £21.2m of savings will be delivered for 2023/24 against a target of £22.4m which is positive to note. This is, however, overshadowed by the significant forecast overspend.

The Council's reserves as at 31 March 2024 stand at £21m in the unallocated general fund reserve and £32m of earmarked reserve. The earmarked reserve set aside to manage general budget pressures is known as the Budget Smoothing Reserve stood at £10m as reported in the 2023/24 outturn.

During 2023/24, several balance sheet related issues emerged on key funds within core income streams such as council tax, business rates, capital receipts and credit balances. The issues identified bare resemblance to some of the financial management practices that the Council has had difficulty with since 2016/17 which put it in the position it is currently in. The Commissioner's noted inadequate management and monitoring of critical balance sheet elements. This has set back the Council's recovery and is disappointing to note. The Balance Sheet Review discussed in later in this report touches on the developments of the balance sheet issues identified.

2024/25 and the medium term

The Council approved the 2024/25 budget on 7 March 2024. The budget included a 7.99% increase to Council Tax and 0.51% increase to the Adult Social Care precept. The budget included savings of £12.206m to be delivered in 2024/25 and an estimated deficit of £23.1m for 2024/25 to be funded by capitalisation. The Council has a savings target for 2024/25 of £27.23m.

The 2023/24 outturn report reflected an underlying overspend of £11.7m that would continue to put pressure on the finances in 2024/25. The forecast overspend for 2024/25 as at July 2024 is £15.8m prior to any mitigating actions. This has knock-on impacts for the savings requirement for 2024/25 and the medium term.

2024/25 opened with the Budget Smoothing Reserve at £10.7m but £6m of this is already committed, bringing the forecast end-year balance of this reserve to £4.7m. 2024/25 budget monitoring as at July 2024 has shown the Council is unlikely to deliver £2.213m of its planned £27.23m savings but is implementing mitigation measures to counteract this.

Financial sustainability

New pressures have also been identified relating to inflation and interest. The net impact of these items is a £4.196m of cost pressures.

The Council presented an updated medium term financial plan in February 2024 but this was refreshed again in July 2024 following the additional pressures reported in the 2023/24 outturn report. The Council is forecasting budget gaps for the next five years of £15m in 2024/25 rising to £31.9m by 2028/29. The Council has highlighted that this will require changes to its target operating model to manage. At the time of writing, the plan for the target operating model is still in development and yet to be completed.

The Council are forecasting a financial deficit of £348.045m split as follows:

Up to 2023/24	£298.647m
2024/25	£23.078m
Future Years	£26.320

Table 1: Forecast Financial Deficit

Source: July 2024 Medium Term Financial Plan

The 2024/25 budget and medium term plan rely heavily on the delivery of savings. The plan reinforces the need for steadfast commitment to deliver savings and robust action to contain financial pressures.

In January 2024, the Council requested further exceptional financial support for the 2024/25 financial year from DLUHC. In February 2024, the Secretary of State responded that they were minded to approve a capitalisation direction of £23.078m contingent on the Council providing assurance that it was getting a grip of its underlying financial position and taking the necessary steps to restore financial sustainability.

The Council commissioned EY to support a Balance Sheet Review which aims to provide assurance on the Council's balance sheet. The outcome of this review was reported to the July 2024 Audit and Corporate Governance Committee. The report noted that the results of the Balance Sheet Review at that point in time had resulted in a total net reduction to the Council's general fund useable reserves of £6.8m in 2022/23 and £30.2m across 2019/20 to 2022/23. This has been incorporated into the 2023/24 provisional outturn (excluding £0.3m of additional MRP charges).

Financial management at the Council was noted in the CIPFA report from 2021 as generally weak. The issues highlighted in the Section 114 all point to poor financial management. The Balance Sheet Review continues to highlight difficulties and poor practices in terms of financial management. The Council is still in the 'Discovery' phase of the three step 'Discovery, Recovery and Transformation' process stemming from the issues identified in the Section 114 from 2021. As it is still in this stage, whatever is unearthed as a result of this investigation could have a material impact on the Council's financial sustainability and continues to highlight significant uncertainty on its financial sustainability over the medium-term period.

The Balance Sheet Review was a helpful exercise in providing greater confidence in the Council's financial position. The review has also provided a stronger foundation for the Council's financial records moving forward by improving the robustness of the models and processes used for analysing balance sheet transactions, therefore improving the efficiency of financial operations. However, as noted in the report, the review showed the extent of the persistent financial management challenges which continue across the Council's core financial processes, controls, data and protocols. The report also highlighted the Council's ineffective record keeping, poor balance sheet risk management, lack of clear working protocols, ineffective or non-existent processes. Whilst the exercise was helpful, it highlighted the significant work that remains to be done and that 'the scale of the financial challenges and issues should not be underestimated.' The review is ongoing and at this point, cannot conclude on the Dedicated Schools Grant (DSG) or Collection Fund.

Although we note improvement in the level of grip on the financial position as a result of the Balance Sheet Review, we cannot yet have assurance in the Council's medium term financial plan and cannot rely on the figures produced by the Council for the medium-term financial plan. This is partly due to the lack of audited accounts for a number of years, the Council's known weaknesses in financial management processes and that at the time of writing, the Balance Sheet Review had not yet concluded and had found significant further financial challenges. The Council's medium-term position continues to change and there continue to be material changes to budget monitoring reports. There have been significant further concerns surrounding the Council's financial management processes raised during 2023/24 and into 2024/25. We therefore conclude that we do not have assurance that the Council will be able to deliver its medium-term plan or be financially viable in the medium term and therefore continue to recognise a significant weakness in arrangements to secure financial sustainability. Our statutory recommendation from May 2021 on the levels of useable reserves remains outstanding. Closely related to the point surrounding reserves is the question of the Council's medium term financial plan.

Financial sustainability

We raised a key recommendation in our prior year report for the Council to work to achieve medium term financial sustainability through the progression of the asset disposal programme, delivery of recurrent savings and management of the DSG deficit. We are pleased to report that the Council has made positive progress in management of the DSG deficit and we do not consider this to be of significant risk at the time of writing. However, we assert that the recommendation remains outstanding due to our lack of assurance in the Council's medium term financial plan.

Finance capacity and expertise

In May 2021, we issued statutory recommendations to the Council. One of these recommendations related to finance capacity and skills. We identified a series of internal control deficiencies, many of which can be traced back to the weaknesses in finance team capacity and capability. CIPFA's report which was commissioned by DLUHC in October 2021 also recommended that the Council enhance financial capacity.

In November 2021, a report to the Cabinet on the recovery plan noted the large amount of work to do to rectify the previous weaknesses and the role of the finance team in progressing this work. The report noted that the Council's finance team had a high number of competent individuals with technical and managerial skills but many of these individuals were employed on an interim basis. The Council noted the need to secure more permanent employees and a staffing structure supported by more robust recruitment processes, training and development and appropriate job descriptions.

During the period of our review (April 2021 to March 2024), there have been three different Chief Finance Officers (S151). A fourth section 151 officer has been appointed in 2024/25.

As of July 2022, the Council stated that as part of their investment in the finance team, they would look to secure more permanent employees as they were heavily reliant on interim support. At the time of writing this report, 37% of the Council's finance posts are interims, acting-up or are held as vacant posts. This means that only 63% of the Council's finance team are substantive, permanent employees. This demonstrates that the Council is still heavily reliant on interim employees, two years on from stating its intention to reduce this reliance.

There is evidence that, within the finance team, the Council is working in a siloed fashion which is exposing the organisation to increased risk.

This is not to suggest that it is intentional but rather appears to be happening inadvertently due to an absence of stable and proactive leadership at the higher ends of the team hierarchy. The Council's cash flow concerns are symptomatic of the authority working in a siloed fashion as the finance team was individually looking at the asset disposal strategy, debt reduction strategy, treasury management strategy and capitalisation direction in isolation rather than reconciling all the information and looking at how they all affected and fed into each other.

In May 2024, as these projects were being assessed in silo, by the time they were all brought together, it was apparent that the authority was experiencing severe cash flow constraints and improperly accounting for the capital receipts required to service the capitalisation direction and action the debt reduction strategy. Interaction is vital across finance team functions and objectives in order to reduce risk of issues being unearthed too late and having to result in unfavourable remedial actions for the authority.

The improper management of the capitalisation direction (CD) has meant that several streams within the finance function were expecting to utilise the capital receipts for their own purposes. There was a lack of appreciation for the interconnectivity of the balance sheet.

There is also evidence that the finance team does not have access to the skills and capacity to manage the scale of the accounting issues at the Council. This is part of the reason behind the Council procuring the services of external consultants to fill some of the gaps (e.g. EY performing its balance sheet review). There is risk, however, that as the finance team continue to work through the discovery and recovery phases, as well as business as usual, that further issues may arise which might expose the Council to significant risk.

The lack of institutional memory and stable consistent leadership at the top of the finance structure appears to be requiring Commissioners to take a more hands-on approach than is normal. This was mentioned in the first Commissioners report which was published in June 2023 and appears to continuing to be occurring to present day (May 2024). This exposes the organisation to risk as it does not itself have the resilience to address the challenges within the organisation at the required pace, relying on either consultants (in the case of the balance sheet review) or the Commissioners (in the case of general leadership and expertise).

We remain extremely concerned about the Council's finance capacity and expertise. Our statutory recommendation in this area remains outstanding.

Financial sustainability

The finance team has a large quantum of work to do to get the authority to the position in needs to be. We recommended that the Council invest in its finance resources and continue to reiterate this. Our statutory recommendation from May 2021 on finance capacity and skills remains outstanding.

The Dedicated Schools Grant (DSG)

Local authorities across the country are facing increased demand for places for pupils requiring specialist education provision. In Slough's case, demand has risen by 86% since 2015. Councils are currently benefitting from the statutory override that has been provided for DSG deficits which effectively allows local authorities to temporarily deviate from normal accounting practices and keep the DSG deficit off the balance sheet. In 2022, the government's local government finance policy statement announced that the statutory override for the Dedicated Schools Grant (DSG) would be extended for the next three years from 2023-24 to 2025-26. When the statutory override expires, councils will be expected to cover the cost of their DSG deficits themselves. This would likely have to be met from un-ringfenced general reserves. The risk arises when many councils consider that their general reserves balance may be close to or less than the amount required to fund their DSG deficit. Many councils have become dependent on the statutory override to continue functioning.

The High Needs Block (HNB) element of the Dedicated Schools Grant (DSG) has carried a deficit at Slough for a number of years, in common with numerous other local authorities. This is predominantly due to the increase in the number of EHCP's issued, an increase in number of placements made in the independent and non-maintained sector and a lack of management action plan up to May 2021. The Council has highlighted in its committee reporting that it made no positive progress on addressing the growing deficit until May 2021 when the scale of the deficit was identified and action began on preparing the management plan.

In line with previous Department for Education (DfE) guidance, Slough developed a detailed management plan to demonstrate what action it is taking to bring the overspend budget back in to balance. The Management Plan for 2021/22 was presented to the January 2021 Schools Forum. Slough's overall deficit has grown from £4.9m in 2015/16 to £20.6m as at 31 March 2021. The outturn position for 2020/21 was an overspend of £7.2m and it was originally anticipated that an overspend of £7.2m would occur in 2021/22.

However, as a result of the implementation of the management action plan, the Council was able to return an overspend of £4.9m which is a reduction in the forecast as well as the prior year position. The DSG deficit therefore grew to £25.5m as at 31 March 2022.

The Council was invited to take part in the 'Safety Valve' intervention programme with the DfE in 2021/22 with the aim of agreeing a package of reform to the high needs system to bring the DSG deficit under control. This continued into 2022/23.

The collaboration with the DfE focused on providing an effective service and achieving financial sustainability rather than simply reducing expenditure which is positive to note. The DfE were complimentary of Slough's progress, in particular, the commissioning work and financial modelling.

Due to the work performed in 2022/23, at March 2023, the Council was forecasting for the DSG to stop overspending in year by 2025/26. This is promising considering that the statutory override, which allows the Council to keep the DSG deficit outside of the General Fund, elapses on 31 March 2026. The cost reduction strategies that the Council was pursuing as part of its management plan were proving to achieve the necessary reductions in expenditure, as is demonstrated by the better than expected 2021/22 outturn.

There is, however, clearly room for improvement as the goal is for the Council to be able to manage demand within its budget.

In terms of 2022/23 performance, the provisional cumulative DSG deficit at the start of the 2022/23 financial year was £25.5m and this increased to £25.6m at the end of the year due to an overspend on all DSG blocks of £0.1m. The actual DSG Deficit reduced to £14.8m due to the Safety Valve contribution for Year 1 of £10.8m. It is worth caveating that the figures quoted here are subject to change due to the work on the balance sheet review currently being performed by the Council.

For 2023/24, the period 8 position (November 2023), for High Needs shows that there is a total forecast spend of £24.9m against a budget of £25.1m. This is due to backlogged EHCPs. The actual forecast DSG deficit for the end of 2023/24 is a reduction to £11m once the Safety Valve contribution of £3.2m is received. Overall, in 2023/24, the four DSG blocks are projecting an underspend of £0.6m.

Financial sustainability

The Council reported to Full Council in March 2023 in the SEND team, there was a culture of:

- Poor decision-making
- Lack of leadership, ownership and drive
- Lack of governance and accountability
- Lack of effective commissioning processes and contract management with a reliance on spot-purchasing
- Lines of financial accountability lacking clarity
- Poor use of finance and data systems
- Lack of clarity around placements and their cost
- Insufficient focus on budget reconciliations

The Council has directed significant work towards addressing this culture but recognising that continued actions are still required, the Department for Education (DfE) issued a direction to the Council for SEND in August 2023. We comment on this aspect further in the 3Es section of this report.

Overall, we are comfortable with the progress the Council is making but it is worth noting that it is only possible through the Safety Valve agreement that is supported by the DfE.

We raised a key recommendation in our prior year report asking the Council to achieve medium term financial sustainability through: increasing its level of reserves, progressing its asset disposal programme, delivering recurrent savings and managing the DSG deficit. We consider that the Council has adequate arrangements in place to reduce the DSG deficit though we consider the other elements of this recommendation to not be sufficient to resolve the recommendation.

Financial reporting

Audited statements of accounts play an integral role in demonstrating to taxpayers how public money has been used in providing the functions and services of the authority. The accounts present the authority's financial position and performance.

At the start of our audit period for this review (1 April 2021), the Council's last signed externally audited financial statements were for 2017/18. As part of our 2021/22 reporting, we noted we had found significant weaknesses in the processes for preparing the Council's financial statements. We reported inadequate arrangements to prepare working papers and difficulties in obtaining sufficient documentation.

In 2022/23, we continued to identify errors in the 2018/19 accounts which required the Council to substantially rewrite the statements. We found evidence of failings over a number of years which resulted in ineffective and inadequate financial management practices in place. By July 2022, the Council had received six statutory recommendations issued by Grant Thornton, a Section 114 notice had been issued, two independent reviews by CIPFA and DLUHC had been completed and Commissioners had been appointed – providing an insight into the scale of the challenge the Council was facing at this point in time.

In February 2023, we reported our finalised findings on the 2018/19 financial statements. We reported a Disclaimer opinion – meaning that it is our view that the possible impact of the undetected misstatements within the accounts due to lack of audit evidence could be both material and pervasive. This conclusion was unprecedented and made Slough one of the first authorities to receive such an external audit opinion. We wrote at the time that this reflected a standard of accounting and financial management which is incompatible with the Council's responsibilities to exercise proper stewardship over public funds.

At the same committee, we issued two statutory recommendations relating to the decision-making process and the information made available to Members. This brought the total number of statutory recommendations raised to the Council to eight.

In October 2023, we provided Members with a detailed examination of why the issues surrounding the 2018/19 accounts had arisen. We pointed to the finance team's capacity, the Council's use of interims, the failures of the accounting processes and systems, the quality of the working papers provided, the impact of COVID-19 and the culture at the organisation.

The Council must now produce and have externally audited the accounts for: 2019/20, 2020/21, 2021/22, 2022/23 and 2023/24. We continue to work with the Council to support its delivery of four sets of draft accounts for publication by September with the 2023/24 accounts planned to be completed ready to commence audit in November.

Financial sustainability

Due to the nationwide backlog in local authority accounts, on 30 July 2024, the Minister of State for Local Government and English Devolution, Jim McMahon, provided a written statement to Parliament confirming the government's intention to introduce a backstop date for English local authority audits up to 2022/23 of 13 December 2024. A backstop date for 2023/24 is proposed of 28 February 2025.

We continue identify a significant weakness in arrangements surrounding the Council's financial reporting processes. Our statutory recommendation from May 2021 on the preparation of financial statements remains outstanding. We will continue to engage closely with the finance team and the Council generally to aim to meet these deadlines and will report to Audit and Corporate Governance Committee on our work. As noted by the Council, production and audit of accounts is an extremely important element of the financial recovery strategy.

Budget setting arrangements

The Council did not have appropriate budget setting arrangements in place during 2021/22. The Council approved the 2021/22 budget on 8 March 2021. By July 2021, a Section 114 notice was issued by the then new Section 151 which highlighted significant gaps in the Council's finances which had not been addressed in the 2021/22 budget. The 2021/22 budget was 'balanced' but the Section 114 notice issued only a few months later stated that 'the projected in-year spending on services is significantly above the approved revenue budget and the level of revenue reserves held by the Council.' This points to a significant weakness in budget setting and financial governance arrangements. The Section 151 officer noted that the only means for the Council's survival for 2021/22 was the approval of a further capitalisation directive or support from DLUHC. The Section 151 attributed the Council's significantly adverse position to years of 'not robust' and 'highly detrimental' financial decision-making, leadership and management, processes, quality assurance and review.

In DLUHC's governance review from October 2021, it was noted that the budget approved in March 2021 relied heavily on savings, many of which were without any clear business cases setting out how they would be delivered, there was no evidence of a suitable risk assessment being carried out on the planned savings and only a small contingency had been set aside for potential non-delivery.

If the financial issues known in July 2021 were known in previous years, it is the Section 151's opinion that it would have been extremely difficult for the Council to set a legally balanced budget in 2019/20, 2020/21 and 2021/22. This indicates significant deficiencies in the budget setting arrangements for these years.

Due to these weaknesses, much of 2021/22 was spent verifying the budget and savings plans for the 2021/22 budget that were neither fully prepared nor appropriately allocated at budget setting and directing work toward identifying savings for the 2022/23 budget. DLUHC's report raised a recommendation in October 2021, urging the Council to develop a mandatory financial and budget training module for all councillors and budget holders. The Section 151 officer worked to develop new guidance on budget monitoring, financial modelling and business cases as reported in the Financial Action Plans presented to Cabinet during July 2021.

As part of the Financial Action Plan, the Council announced plans to improve budget setting which included:

- ownership of balancing both 2021/22 and 2022/23 budget years with departments with clear targets and requirements,
- weekly meetings at director and leadership level tracking progress on savings developed,
- extensive engagement between finance and services to continually review budgets, line by line reviews, correction of previous years issues, consideration of all proposals,
- all proposals being backed up by business cases, savings action plans and equality impact assessments,
- expenditure control panels reviewing all expenditure requests,
- introduction of zero-based budgeting with effect from 2023/24 to challenge existing budgets, gain a better understanding of cost drivers, support budget holder ownership of budgets, increase transparency and identify efficiencies.

Financial sustainability

In December 2021, the Minister of State had confirmed in a written ministerial statement that the Secretary of State was sending commissioners to Slough. In January 2022, the Secretary appointed a third commissioner. In March 2022, the Council received a letter from the Minster of State proposing the capitalisation direction support covering 2018/19 to 2022/23. In the same month, the Chief Executive was dismissed by the Commissioners citing gross negligence and reckless behaviour.

All of these events occurred in the months preceding the 2022/23 budget, which was approved on 10 March 2022. The Council presented the First Stage Recovery Plan in March 2022 setting out the high-level proposals for improvement. Part of the financial programme designed to improve financial standards involved improvements to the budget setting processes. One of the Directions issued by the Secretary of State in December 2021 asked the Council to outline an action plan to achieve financial sustainability and close the long-term budget gap.

In response to this, the Council reworked all department revenue budgets in light of key assumptions regarding income levels, spending and demand for services and agreed detailed service targets and delivery plans with budget holders for 2022/23. The Council introduced a consistent business case framework specialist team to provide a platform for robust decision-making on financial arrangements.

Throughout 2022/23, the Council began making the necessary changes to address the severity of its position. The authority was able to agree, report and progress a successful financial strategy which saw numerous material changes to budget setting and budgetary control arrangements. However, despite this, many of the issues that the authority has experienced over the last seven years continue to appear. Similar as to what occurred with the 2021/22 budget, significant issues were uncovered shortly after the budget was set. Slough Children's First announced it was unable to deliver its agreed savings and was going to produce an overspend.

For the 2023/24 budget, the Council introduced a more robust Budget Scrutiny process, including Member surveys and a Scrutiny Annual Review Workshop for members to reflect on proposals. The Council ensured budget papers were made available to members in advance of budget scrutiny sessions to aid decision-making and early engagement for budget setting.

There was also additional finance training and detailed pre-meetings alongside the three budget scrutiny sessions in February in the lead up to the final session before the end of the month. The Council's actions were in line with the guidance provided by the Centre for Governance and Scrutiny (CfGS).

It was noted in the Commissioner's fourth letter that Members and officers had worked well to develop the 2024/25 budget, however, Commissioners were concerned that the inherent risks in the balance sheet and prior year revenue budget posed a significant risk to the budget. This had put the Council in the position of using reserves to balance the medium term budget in the draft 2024/25 budget submitted to Commissioners. The Commissioners were disappointed to see the reliance on reserves in the medium-term plan and this was rectified for the final budget.

For the 2024/25 budget, the Council had undertaken a range of budget deep dives and zero-based budgeting reviews to identify the potential to remove any non-essential expenditure. The Commissioners re-iterated that performing exercises such as these is a short term solution to a long-term problem. The Council needed to create a target operating model to support its long term financial sustainability and we note that this is starting to be developed in earnest now.

Overall, we continue to identify a significant weakness in the Council's budget setting arrangements which was initially identified in 2021/22 and remains outstanding in 2022/23 and 2023/24. We do not consider there to have been sufficient progress in 2022/23 and 2023/24 to warrant the significant weakness to be de-escalated, this is particularly evidenced by overspends in 2021/22, 2022/23 and 2023/24 budgets alongside the Commissioner's critiques of the 2024/25 budget. We consider that our statutory recommendation relating to finance capacity and skills relates to these poor budget setting arrangements and remains outstanding.

The Asset Disposal Programme (ADP) and Capitalisation Direction (CD)

The Section 114 notice from July 2021 noted that the Council had quadrupled its borrowing from £180m to £760m since 2015/16. The accompanying report stated that the Council had been incorrectly using capital receipts, overstating asset lives and omitting some expenditure from the Minimum Revenue Provision (MRP) calculations.

Financial sustainability

The Section 114 notice showed that even with the pre-approved capitalisation direction (of £12.2m for 2021/22), the Council would not be able to balance its budget without an increased capitalisation direction from MHCLG. The Asset Disposal Programme aimed to avoid further borrowing under the capitalisation direction as it would be met from capital receipts.

In September 2021, the Council produced the 'Debt Repayment/Asset Disposal Strategy.' The report noted that borrowing needed to be reduced urgently. The Council proposed an asset disposal programme that would generate £600m in capital receipts over the next five years and would be used to finance the capitalisation direction and repay external loans. This would enable borrowing to reduce from £760m to £335m by 1 April 2027. Borrowing would then be more manageable and would represent a lower proportion of the net revenue budget. This represents an asset disposal programme of an extensive magnitude.

As at 1 September 2021, the Council noted the objective of realising disposal proceeds of £200m by 1 April 2024 and using this first tranche of capital receipts to finance the capitalisation direction. A further £200m to £400m would be realised between 1 April 2024 and 1 April 2027 and this would be used to pay existing debt. The Council also significantly reduced the proposed capital programme from the 2021/22 budget in order to reduce new external borrowing.

As of October 2021, the Council had established an asset disposal plan which was being tracked by the Executive Director of Place. The total value of assets on this plan was £35m which was not sufficient to meet the Council's financial challenge. CIPFA recommended in its October 2021 review that the Council develop a sufficient asset plan to provide funds for the capitalisation direction and that more assets should be considered for disposal.

Toward the end of 2021/22, the Council took action to identify sites for disposal and to establish a transparent and consistent process for the asset disposal programme. The Council also agreed to seek additional external expertise to help with the large transactions.

In March 2022, the Council reported that the Government had indicated that the Secretary of State was minded to approve a capitalisation request of £307m up to 2022/23 subject to the development of an Improvement Plan encompassing various recommendations made by DLUHC and delivered to the satisfaction of the Commissioners.

On 7 March 2022 the Minister of State for Equalities and Levelling Up Communities wrote to the leader of Slough Borough Council, to communicate the government's proposed response to the council's request for Exceptional Financial Support to cover the financial years 2018/19 to 2022/23.

In respect of the financial year 2022-23 the government agreed to provide 5 councils with support to manage financial pressures via the Exceptional Financial Support framework (EFS). In the case of Slough, the government also agreed to a request for support for prior years. The following in principle capitalisation support was agreed for Slough:

2018/19	£61.7m
2019/20	£40.2m
2020/21	£25.9m
2021/22	£95.3m
2022/23	£84.1m

Table 2: In Principle Capitalisation Support Agreed for Slough 2022/23

Source: https://www.gov.uk/guidance/exceptional-financial-support-for-local-authorities-for-2022-23

In 2022/23 alone, the extent of the capitalisation direction means that without it, the authority would overspend by 78%. As stated in the 2022/23 budget, the Council (at this point) held £1.2bn worth of assets. When schools, parks and infrastructure like highways are stripped out, the need to sell £600m means that most of the Council's property holdings will need to be disposed without exception. The operating model will therefore need to be aligned with a devolved outreach rather than building based.

Financial sustainability

The Council's poor financial management practices also affected the asset disposal programme. The Financial Action Plan from May 2022 showed that there were issues surrounding the use of the fixed asset register. There was a lack of in-house knowledge on how to use it and a lack of guidance notes. The action plan included the provision of training on how to use the system along with guidance notes and video demonstrations saved in a central location to ensure resilience. The plan also showed that 132 of the Council's investment properties had been misclassified – they were actually operational assets.

In June 2022, the Council introduced new governance structures to establish an effective, robust and transparent asset disposals programme to ensure the Council would maximise value from the disposal of its assets. The two main changes were:

1. The introduction of a Cabinet Committee focused specifically on the Asset Disposal Programme to allow for focused review
2. For decisions to enter into a lease for land at less than best consideration to be a reserved function of Cabinet, with the exception of land which is being disposed of in accordance with a statutory obligation, for example HRA residential properties disposed of under the Right to Buy or leases to academies as part of an academy conversion

An Asset Disposals Working Group had also been established to oversee and track the programme. Avison Young was commissioned as a key Strategic Property Advisor for the disposal programme following a procurement process.

The Commissioners wrote in September 2022 that they felt the Council had done 'very little work if any' to consider the implications of the asset disposal programme on the operating model.

The MTFS hinges significantly on the success of the asset disposal programme. For example, in September 2022, the Council noted that if the programme of disposals slipped by 20%, this would increase the cost of the CD by £5m.

On 17 October 2022 Cabinet approved an Asset Disposal Strategy informed by advice from its procured commercial property advisors, Avison Young. The agreement of the strategy was to contribute to the reduction in the Council's financial commitments, generate disposal receipts at the earliest opportunity and reduce the Council's borrowing and Minimum Revenue Provision (MRP).

As at February 2023, the Council had achieved asset sales of over £173m with a planned total of over £200m for the whole year. This was in excess of the original budget and was used to pay down MRP costs and reduce the capitalisation direction. At this point it was also noted that the capitalisation direction could be reduced from a worst case overall £782m to £357m. The budget for 2022/23 also showed a reduction of £27m in the capitalisation for the year.

On 1 March 2023 the Minister for Local Government wrote to the leader of Slough Borough Council, to communicate the government's proposed response to the Council's request for Exceptional Financial Support for 2023/24. The Secretary of State minded to approve a capitalisation direction of a total £31.575m for 2023/24.

Financial sustainability

The first phase of the Asset Disposal Programme focused on the sale of properties that had been held for 'Development' or 'Investment' purposes. These are the assets that are the easiest and most obvious to release. Phase two assets would come from the Council's 'operational' portfolio – i.e. properties that are currently used to deliver the Council's services from.

The Council sold £196m worth of property in 2022/23 (see below for list of asset disposals for 2022/23).

Property	Completion Date	Acquisition Price	Net Book Value 31st March 2023	Capital Receipt (£)	Cost of Disposal (£)	Profit/(loss) on Disposal
21 Roysdale Way Euroway Bradford	15/11/2023	12,746,000	13,518,700	14,476,630	49,896	908,034
Akzo Nobel	24/11/2023	40,900,000	23,856,000	143,737,616	99,192	119,782,424
Odeon Churchill Way West, Basingstoke	25/11/2023	8,480,000	3,940,600	3,565,133	19,880	- 395,347
Wickes Wolverhampton	09/12/2023	6,959,000	7,150,200	6,774,612	18,540	- 394,128
Lavendar Farm	15/12/2023	n/a	6,325,000	1,775,000	20,871	- 4,570,871
129 Stoke Road, Gosport, Hampshire	16/12/2023	3,710,000	2,884,700	1,889,041	35,406	- 1,031,065
SUR - North West Quadrant site (former Thames Valley University)	17/03/2024	28,092,000	20,548,349	22,820,327	541,512	1,730,466
Sub-Total 2022-23				195,038,359.00	785,297.00	112,476,614

Table 3: Asset Disposals for 2022/23

Source: 2023/24 outturn

Financial sustainability

As is evident from Table 3, the 2022/23 outturn was heavily reliant on the sale proceeds from the disposal of the Akzo Nobel site. The Council actually reported a loss on most disposals on 2022/23 and would not have been able to meet its 2022/23 target without the sale of Akzo Nobel.

Observations on the disposal of Council Assets

Akzo Nobel was a site acquired by the Council in 2020/21 with a plan to re-develop the site for a mixture of commercial and residential development. This was initially purchased for £40.9m for the HRA and funded by a mixture of borrowing and reserves. The site sold in November 2022, approximately eighteen months after its original purchase, for £144m. The Council recognised £119m in profit from the sale of the site (after accounting for costs of disposal and a revaluation in March 2023). The sale of this site has been the subject of intense debate between the Council and the Commissioners and ourselves as external audit. We raised concerns due to the size of the surplus and the short time frame between acquisition and sale.

In April 2024, EY produced a review report surrounding the accounting treatment for the Akzo Nobel site. As this report focuses on Value for Money arrangements, we will not delve into the accounting treatment. We are currently in discussion with the Council and investigating the arrangements surrounding the original acquisition of the site and the governance surrounding it alongside developing our understanding of the financial factors that could have played in a role in the recognition of such an unprecedented profit from sales. At the time of this report, we have not concluded our views on this disposal and will report back to Members on this at a later date.

What the 2022/23 outturn shows us is that the programme relied on the Akzo Nobel site in order to meet its target. Significant reliance on a 'silver bullet' type transaction in order to meet the demands of the Asset Disposal Programme and Capitalisation Direction raises significant concerns and points to weaknesses in the original disposal plan.

We are also concerned that the Council's disposal plan is functioning as a 'fire sale' as there appear to be many transactions where the Council is losing money on the sale. The Council's financial situation is such that it almost has no choice but to make the loss but this raises concerns as asset disposals are one-off and the Council will eventually run out of assets to dispose of. If it is not securing value for money on the assets it is selling and only has a finite amount of assets to sell, this raises significant concerns regarding the financial viability of such a strategy.

In March 2024, additional concerns were raised regarding the disposal of a site which was a former police station on the High Street in Langley, Slough. Accounting treatment risks were identified which suggested that the capital receipt identified may not be attributable to the General Fund as the site had been originally classified as Housing Revenue Account. If it was not attributable to the General Fund then this capital receipt would not help the Council with financing its capitalisation direction and securing financial viability. This example demonstrates that the Council's history of financial management weaknesses are still putting its current financial sustainability at significant risk.

As reported in the 2023/24 outturn, the Exceptional Financial Support by way of a Capitalisation Direction as at 31 March 2024 is estimated to be £298.6m (subject to the outcome of the external audits) and financed by net capital receipts from asset disposals. The asset sales completed as at 31 March 2024 is currently below this target and increasing the revenue pressures from borrowing required to support the budget.

The Minimum Revenue Provision (MRP) saw an overspend of £3.237m for 2023/24. The overspend has arisen as a consequence of fewer asset disposals being achieved than had been assumed in the budget, meaning the outstanding debt has remained higher than planned. This includes the Akzo Nobel sale. The Asset Disposal Programme has yielded capital receipts of £195m in 2022/23 and £29.7m in 2023/24. The total is therefore £224.7m gross. The Council had set a target of £400m to 31 March 2024. This has proven unrealistic. The Council has said that the timing of many disposals has been pushed back to 2024/25 and 2025/26 when a further £72.8m of sales income is expected.

2023/24 outturn is therefore further reinforcing the idea that the Asset Disposal Programme is not based on the most reasonable assumptions as it reported it to be below target.

Most recently, we have been informed, by officers and through discussion with the Commissioners, that the Council is now realising that the original Asset Disposal Programme did not take appropriate account for the impact of impairments on the forecast capital receipt from the disposal of the asset. The associated impairments, that are now being incorporated into the models, are showing that the Council is likely to receive less in capital receipts than it forecast. This points to an organisation that is working in a siloed fashion as the Asset Disposal Programme forecasts failed to take appropriate account of the financial implications of disposing the assets. Collaborative development of the Asset Disposal Programme between property and finance should have considered this in the original plan.

Financial sustainability

We raise a significant weakness surrounding the Council's Asset Disposal Programme and raise a key recommendation. The Council's medium term financial plan heavily relies on the Asset Disposal Programme and associated Capitalisation Direction and we do not have assurance that the plan is predicated on appropriate, reasonable and robust assumptions.

The Council is dependent on the capitalisation direction to remain financially viable. As previously mentioned, without it, the authority would overspend by 78% in 2022/23. The capitalisation direction needs to be financed by capital receipts or additional borrowing. The Asset Disposal Programme is the means by which the Council will finance the capitalisation direction by capital receipts. We have shown that there are significant flaws in this programme. That increases the risk that the Council will need to use additional borrowing to meet the capitalisation direction and add to its already disproportionate borrowing costs. We also do not have assurance that the Council has considered what the extensive asset disposal programme will mean for the future operating model as this has been highlighted previously as a weakness.

Conclusion

Overall, we have identified that five significant weaknesses exist at the Council in the financial sustainability portion of this report. One new significant weakness has been identified for 2021/22, 2022/23 and 2023/24 in relation to the asset disposal programme. The remaining four significant weaknesses have been previously identified in prior year reports but continue to persist at the organisation, namely, significant weaknesses in:

- Finance capacity and expertise
- Financial reporting arrangements
- Medium-term financial viability and levels of reserves
- Budget setting arrangements

As a result of these weaknesses, our statutory recommendation from May 2021 surrounding finance capacity and expertise remains outstanding.

Our statutory recommendation from July 2021 asking the Council to address the Section 114 notice remains outstanding. Our statutory recommendation surrounding levels of useable reserves from May 2021 and our key recommendation from May 2024 surrounding the Council's medium term financial plan remains outstanding.

Governance

We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

Risk management

During 2021/22, the Council presented Risk Management Update reports to the Audit and Corporate Governance Committee on a quarterly basis.

The Audit and Corporate Governance Committee meeting in July 2021 examined the Council's Strategic Risk Register (SRR). There were blanks against risk owners. It was noted by the DLUHC governance review that the register did not adequately outline the risks and was not fit for purpose. There were omissions surrounding the COVID-19 pandemic and the Our Futures transformation programme, for example. The governance review recommended that the Council 'continue to understand and identify risk more generally and review the Council Strategic Risk Register to make it fit for purpose.'

The CIPFA review from October 2021 noted that the Council did not maintain a risk register but was providing updates to Audit and Corporate Governance Committee regularly on significant changes to risks. However, CIPFA found no evidence that there was any effective challenge to risk. The CIPFA finance review recommended that the Council review the existing risk register to identify the high-level risks facing the organisation and allocate a senior risk owner for each risk.

There is evidence that the Council directed effort toward revising their risk registers following the DLUHC-commissioned reviews. The Audit & Corporate Governance Committee received an update on risk management activity in March 2022 which included revisions to the Corporate Risk Register (CRR). During 2022/23, the Council implemented monthly reviews of risk registers to audit committee to ensure proper management of risk.

Internal audit noted in the 2022/23 Internal Audit Strategy that the Council did not have directorate risk registers in place in July 2022. In 2022, an audit of the corporate risk function was performed by RSM. The Council received a 'unsatisfactory' rating with areas for improvement highlighted.

A Risk Management Strategy was approved in July 2022, setting out the Council's approach to controlling risk and how it is considered as part of decision making. As noted in the 2022/23 Annual Governance Statement, risk management processes did not operate continuously during 2022/23.

From July 2023, all risks are scored by departmental risk leads. The Risk and Audit Board was reinstated during 2022/23 to review and escalate corporate risks to CLT. Risk registers were maintained at a corporate and individual service department level. From July 2023, risk management is a standing agenda item for senior management teams and reported quarterly to Audit and Corporate Governance Committee.

In November 2023, the Council approved an updated revised Risk Management Strategy. It sets out the Council's strategy and approach to the management of risk, demonstrating its intention to continue to develop the maturity of Enterprise Risk Management (ERM) across the organisation during 2023/24 and beyond to support the delivery of the Council's strategic priorities and outcomes.

In March 2024, the Council received a risk management update on the third quarter of 2023/24. This is the latest available risk register.

Governance

There are 18 risks recorded in the Corporate Risk Register that are considered to have a significant impact on the achievement of the Council's objectives and obligations. For each risk reported, the key controls and assurances are set out, the risk is RAG-rated, mapped to corporate objectives, actions are allocated to a named officer and the direction of travel is mapped. We are satisfied with the presentation of the risk register.

Internal audit

The internal audit function had been outsourced since 2016. The Internal Audit Plan for 2021/22 was presented to the March 2021 Audit and Corporate Governance Committee. The plan was revised and presented to the July 2021 committee following a discussion with the new Section 151 officer to ensure the plan reflected the challenges the Council faced with regard to COVID-19, the Section 114 report and the need to re-audit a number of qualified reviews undertaken in 2020/21. The new plan set out the new audit work and those proposed by Officers to be deferred to future years due to other priorities.

The CIPFA finance review and DLUHC governance review were published in October 2021. Internal audit had expressed to CIPFA, during the review, their concerns regarding the lack of progress made in the implementation of internal audit recommendations. Internal audit felt that recommendations were not 'owned' by the senior leadership team.

The CIPFA review was fairly critical of internal audit – raising concerns regarding the breadth and coverage of internal audit plans and the failure to signal the deterioration in financial management arrangements. The Annual Head of internal audit opinions for 2018/19 and 2019/20 were both positive. The Council managed to increase its borrowing from £180m to £760m from 2016/17 and there is little evidence that this was picked up by internal audit. CIPFA recommended the Council commission an independent review of internal audit arrangements to ensure that they are effective and provide sufficient coverage to give it the assurance it needs to manage the financial challenge. It is unclear where the Council got to in terms of addressing this recommendation.

The DLUHC governance review also raised concerns regarding the inadequacy of the Council's internal processes, including internal audit. Too much reliance was given to one senior staff member in internal audit and there was inadequate corporate ownership of the internal audit process. The governance review recommended that the Council establish a 'management action' tracking system for internal audit actions and emphasise to all staff the importance of internal audit. The report also recommended an independent review of the internal audit contract and the establishment of an 'in-house' function to enable internal audit to work alongside Council colleagues.

In December 2021, in response to the CIPFA and DLUHC reviews, the Audit and Corporate Governance Committee were provided an overview of the options available for the internal audit service provision. The committee proposed the establishment of an in-house internal audit provision.

In July 2022, internal audit presented the 2021/22 annual report. The report concluded that the Council did not have an adequate framework of risk management, governance or internal control. It was acknowledged that it had been a challenging year for the authority with a number of reviews and a high level of staff turnover. Internal audit also noted that where strong levels of controls may have been identified, there was still evidence of instances where they were not always effective. This was potentially due to human error, incorrect management judgement, management override, controls being by-passed or a reduction in compliance.

In July 2023, the 2022/23 internal audit annual report was presented, the last report to be presented from the outsourced team. The report concluded that the internal control framework at the Council was not adequate or effective.

From 1 April 2023, the internal audit plan and provision would be led by the new in-house team. As with other areas of the Council, including finance, the internal audit team has found it difficult to recruit and retain sufficiently qualified auditors. This has resulted in numerous acting up arrangements and those within the team being overloaded with responsibilities outside of their role in order to cope. High turnover has affected the delivery of the internal audit plan, in November 2023, the internal audit manager reported to the Audit & Corporate Governance Committee that the original 2023/24 audit plan had to be revised and reduced due to capacity challenges.

Governance

The Expenditure Control Panel (ECP) arrangements in place due to the Section 114 notice have also appeared to slow progress down in terms of delays in recruitment due to approval for all financial matters above £5,000 amount needing to be signed off by the Section 151 officer.

In terms of closing down of internal audit recommendations, as of March 2024, there are still 50 overdue actions from 2021/22 outstanding. This is a significant quantum though represents a marked improvement from March 2023 when there were approximately 200 outstanding actions from 2021/22. As of March 2024, there were 60 recommendations outstanding from 2022/23.

The Council's challenges in implementing internal audit recommendations appear to be due to high turnover of staff (in internal audit and across the Council), a lack of corporate ownership of internal audit, Council-wide restructures and a failure to chase up the implementation of actions. When the service was outsourced, there was quarterly follow up of actions. The current internal audit manager seeks a monthly follow up of actions.

We raise an improvement recommendation urging the Council to include the follow up of internal audit actions and recommendations at every directorate leadership team (DLT) meeting as well as SLT meetings.

Transformation and organisational design

Our Futures

As mentioned in our prior year report, in 2019/20, the Council developed a Council-wide staff restructuring and transformation programme known as 'Our Futures' with the aim of delivering a new operating model for the authority. The programme was launched at the beginning of our reporting period on 1 April 2021. As reported in our prior year report, there were significant failings in the content of the programme and its implementation. Staff were not properly informed, there was a disconnect between the intent of the programme and the implementation on the ground. The first few months of 2021/22 were dominated by senior leadership trying to manage the implementation of the programme and grappling between whether the programme just needed to be embedded or whether it needed to be formally abandoned with an acceptance of its failure.

In October 2021, the CIPFA finance review and DLUHC governance reviews were published. As noted in the CIPFA review, the aim of the Our Futures programme was service improvement rather than efficiency savings and it involved in a generalisation of job descriptions for staff.

Inadequate implementation and inappropriate management of the programme created significant issues for the Council. These were initially blamed on the Council's financial position. The programme resulted in numerous staff leaving the authority and a significant number of vacancies and agency/interim staff (300 vacancies and 300 agency/interim in CIPFA's report).

CIPFA also highlighted that the Our Futures programme significantly hollowed out the corporate capacity of the organisation, in particular the finance function.

As noted by CIPFA, the Our Futures programme 'ultimately created considerable organisational risk,' increased even further as many staff that were new in post were asked to develop significant plans to refocus and reduce council services within much tighter financial constraints.

Ultimately, the Our Futures programme was abandoned and the Chief Executive was dismissed by the Commissioner's using their Direction powers citing gross negligence and reckless behaviour in March 2022. It was concluded that the Our Futures programme had significantly reduced Slough's corporate capacity for improvement.

In our 2020/21 report, we concluded that the Council's ability to make informed decisions and properly manage risks represented a significant weakness in arrangements – partly due to the ineffective governance arrangements in place in the Our Futures project.

Managing Recommendations from External Reviews

In terms of progress since the collapse of the Our Futures programme, it is clear that the Council has found it extremely difficult to improve after the failure of the programme.

Governance

To our knowledge, the following external reviews have taken place in recent years:

- LGA Peer Review 2019
- LGA Governance Review 2020
- Grant Thornton's statutory recommendations (four recommendations) May 2021
- Grant Thornton's statutory recommendations July 2021
- DLUHC's governance review September 2021
- CIPFA financial review October 2021
- SBC Revenues and Benefits Service Review 2021 – by CIPFA

Outside of these reviews, the Council has also had recommendations raised by the Commissioners in their regular reports to the Minister. What is clear is that Slough Borough Council has been subject to significant external review in recent years, resulting in a substantial number of recommendations aimed toward the Council's improvement.

Throughout our review for this report, it became clear that the Council has not had the appropriate apparatus in place to manage the recommendations raised from previous external reviews. It was also noted in the DLUHC governance review that 'the Council structure is not mature nor adequate enough to deliver on the significant challenge facing the Council.' What appears to be happening is that the Council tries to respond to the recommendations raised in the most recent review (for example, the fourth commissioner's report), but tracking and monitoring of recommendations from previous reviews has not been sufficiently prioritised.

This is partly due to the fact that the 'responsible owner' for the actioning of the recommendation may have left the organisation and changed, making it difficult to hold individuals accountable and to track who is responsible for what recommendation. The same has occurred with recommendations raised by internal audit.

It is also partly due to a level of review and recommendation-fatigue at the organisation whereby the level and quantum of issues and recommendations raised is so significant that it may be causing difficulties for staff to keep track and devise a plan for resolving the recommendations before a new review raises more recommendations for the organisation to address. For example, we did not find any evidence of any personnel at the Council currently tracking the recommendations raised from the DLUHC governance review from 2021. In November 2021, there is evidence that there was some level of tracking at that point in time as the Executive Board considered DLUHC's recommendations though the responsible owner for one of the recommendations was noted to be 'EDs' and the date of implementation to be 'imminent.' This vagueness and lack of definition has resulted in a difficulty of holding individuals to account for recommendation implementation. The same is true of our statutory recommendations raised in May 2021 and July 2021. The last seen evidence of tracking of the CIPFA, DLUHC governance reviews and our statutory recommendations is from September 2023. We found limited evidence of efforts to implement and resolve these recommendations at the Council at the time of writing.

In July 2022, the Finance Action Plan presented to Cabinet included 'a summary of responses to the recommendations in various reports from external agencies during 2021/22. It is important to retain this link as the recommendations provide the basis of the improvement agenda and assist in framing the scale of the financial challenges facing the council.' While it is promising that the Council noted the importance of maintaining the link to the recommendations, it appears that the authority has not been able to do so.

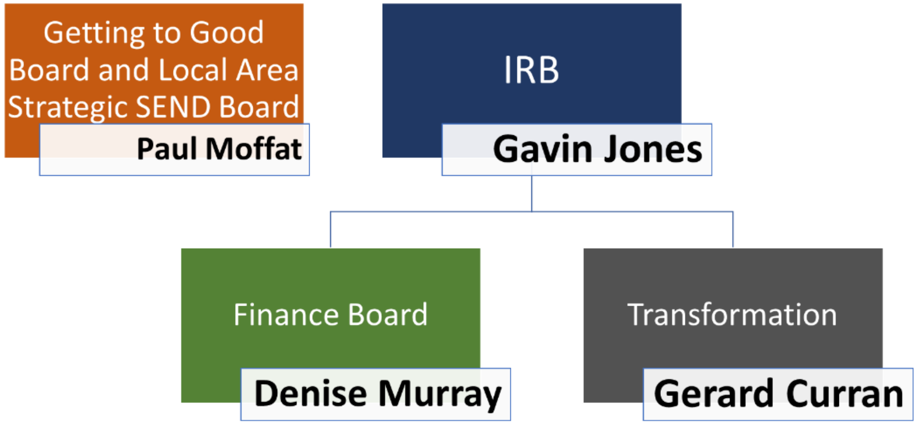
Without a properly managed response to recommendations, the Council is likely going to continue to repeat the same failings identified by these external reviews. It was actually mentioned by the Commissioner's in their dismissal of the former Chief Executive in March 2022 that the authority failed to ensure recommendations were implemented in a timely manner. It is our view that this position has not improved at the current time, and improved mechanisms need to be implemented going forward.

There needed to be stronger assignment of accountability and responsibilities as soon as the external reviews were received to account for the high turnover and churn at the organisation.

Governance

Current Transformation Programme (Phase 2 Recovery Plan)

However, the Council have responded proactively to the latest Commissioner's report (the fourth report). The Council's current transformation architecture is configured as follows:



The Improvement Recovery Board is the main board where officers speak to Commissioners regarding their response to the recovery plan and overall organisational improvement, this is chaired by lead commissioner Gavin Jones. The Finance Board specifically relates to the finance issues and is chaired by Denise Murray. The Transformation Board was launched in March 2024 and aims to focus solely on the transformation programme efforts, this is chaired by Gerard Curran. The Getting to Good and Local Area Strategic SEND Board relate to children's services improvement and are discussed in the 3Es section.

In response to the Commissioner's fourth report, the Council has prepared and presented the Phase 2 Recovery Plan. To officer's credit, the plan is comprehensive and demonstrates the progress the Council has made in some of the areas pertaining to the statutory directions while also indicating the areas for improvement. These are also echoed in the Commissioner's reports.

The recovery plan has four key strategic recovery objectives:

1. A sustainable financial model
2. A resident-focused Best Value model
3. A positive leadership model and culture
4. A good quality delivery model for vulnerable children and families.

Each strategic recovery objective will be achieved through the delivery of a set of workstreams, each with clear objectives, outputs and outcomes. The Council reports on progress of this recovery plan to the Improvement Recovery Board.

Positively, the Council have responded to the Commissioner's fourth report by examining the content and devising an appropriate plan for actioning the recommendations raised by Commissioners. It appears that this is the first time the Council has done this in response to a Commissioner's report which is disappointing considering this is the Commissioner's fourth report and we are almost three years into the intervention process.

Commissioners had also brought up the 'lack of appropriate response' by the Council to the first Commissioner report in their second report. It has therefore taken a significant amount of time for the Council to apply an appropriate level of importance to the Commissioner's reports and associated recommendations, contributing to the Commissioner's critiques regarding lack of pace.

While the Phase 2 Recovery Plan is certainly comprehensive, it only takes the Council so far. The plan goes to March 2026. The Council does not currently have a long-term transformation programme in place which has the ultimate goal of exiting intervention and securing its best value duty as its overriding objective. At this point in the intervention process, we would have expected to see a transformation programme which outlines Slough's long term trajectory. The Transformation Board was only implemented in March 2024, almost 3 years after the intervention began.

This judgement echoes much of what the Commissioners mentioned in their fourth report with regard to the Council's target operating model.

Governance

The Commissioner's fourth report emphasised the need for the Council to develop its target operating model in order to demonstrate how it plans to manage its service provision obligations within its financial envelope in the long term. It is our auditor judgement that the Council is still very far from a point of being able to produce a target operating model that would stand up to any level of challenge or scrutiny due to the fact that the discovery phase is still ongoing and continuing to unearth significant challenges that the Council is needing to firefight in order to manage business as usual activities. Even if the Council were able to produce a target operating model for the Commissioners today, due to the scale of the financial challenge, the assumptions which would have to be made in order to support that model would be extremely volatile to variation and therefore expose the model to significant risk.

We have found a significant weakness in the Council's arrangements and raise a key recommendation. We recommend that the Council devise a transformation programme which incorporates all the recommendations from the external reviews it has had in recent years, separates the themes of the recommendations into workstreams with phased profiling and delivery of actions, with the ultimate goal of this transformation programme being an exit to intervention and securing the best value duty. This plan must have defined and allocated funding. The Council currently only have £4m allocated to the transformation programme for the next 2 years. We consider this an insufficient amount for the scale of transformation that the Council needs to deliver.

Progress against this plan should ultimately be reported to Commissioners but it is important that officers have their own governance in place, outside the Commissioner-related governance, to report and challenge progress. This can then feed into the Commissioner-related governance structure.

It is important to note that the delivery of this transformation programme hinges significantly on the conclusion of the organisation's finance recovery plan. The Council cannot and will not be able to demonstrate how it aims to operate in the future without a conclusion on the four years of unaudited accounts and a conclusion to the discovery phase of its finance recovery plan. In reference to the Our Futures programme, the independent investigator into the former Chief Executive's dismissal noted that the Council entered the restructure when it was 'financially blind.'

More than two years later, the Council continues to be financially blind and any transformation programme risks falling into the same difficulties experienced by the Our Futures programme if the financial picture is not concluded by the time the Council aims to enter into a new transformation programme and target operating model.

Governance of Slough Children's First Limited

Slough Children's First delivers statutory children's social care functions under a direction from the Secretary of State for Education in accordance with a service delivery agreement between SCF and the Council.

In our prior year report, relating to our conclusions for 2019/20 and 2020/21, we found that the Council did not have adequate governance arrangements in place to manage Slough Children's Services Trust. We raised a key recommendation urging the Council to ensure it effectively manages Slough Children's First Ltd.

In March 2021, the Cabinet received a report on the future delivery model of Slough's children's services. The report sought agreement to change the governance arrangements for Slough's Children's Services Trust to make it a company wholly owned by Slough Borough Council. The report saw the Council agree to enter into a five year (extendable by two years) service delivery contract with the company with the start date 1 April 2021.

The Council also agreed to write off £2.4m in accumulated deficit from Children's Services Trust company incurred in the initial years of the contract, with the remainder covered by the DfE grant and the capitalisation directive. The Cabinet also agreed a loan to the company of £5m working capital to be repaid within 30 days of the final payment to the company in relation to the contract. The report noted that the total contract amount for the set up of the company was in the region of £35m for 2021/22.

Governance

As a direct consequence of the Directions imposed by DLUHC, the Council's finance team tightened up financial oversight over wholly owned companies and began managing contracts with suppliers more proactively.

The DLUHC governance review from 2021 identified weaknesses in the Council's decision-making procedures including ineffective pre-decision scrutiny and scrutiny of performance of Slough Children's First.

In February 2022, the Council approved, on an interim basis, the annual business plan for Slough Children's First Limited. In the plan, the Council raised concerns on the deliverability of the savings in the business plan.

These concerns were echoed by both the DfE commissioner and the DLUHC commissioners. Shortly after the budget was set, Slough Children First announced it could not meet its savings target and this would result in a forecast overspend. The Council and DLUHC Commissioners have both expressed concerns about the robustness of assumptions and deliverability of the company's savings proposals given the history of overspending against the agreed budget.

The requirement for a business plan and its development process is set out in SCF's articles and service delivery contract. In 2021/22, the company was not compliant with these requirements, owing to change in senior personnel. The subsequent delay was due to the DLUHC commissioners suggesting a longer term "invest to save" model, which required more time to develop. The SCF Board recognised that the business plan development journey has improved the quality of the work presented and there are multiple lessons learnt for the company to ensure the next business plan is produced on time and to a high quality.

As noted by Mutual Ventures, while the Council's has valid reasons for the delay in the business plan development, this is still an area of significant concern. Taking nearly a year to develop a business plan is destabilizing for the Council and SCF. The company needed to establish robust governance processes to ensure business plans are developed, reviewed and submitted to the Council in a timely manner in compliance with the articles in the contract.

In September 2022, the Cabinet received an update on the annual business plan for SCF. The company was requesting an increase of £0.343m to the 2022/23 agreed contract sum, increasing the size of the contract to £31.779m. The change relates to increases in demand. The report also sought agreement to progress with an options appraisal concerning alternative approaches toward delivering children's social care.

This was linked to the serious risks and issues identified by SCF in respect of resources available to manage pressures associated with rising demand and risks of insolvency. The Commissioner's view was that savings could be achieved in SCF by using Council support services and enabling efficiencies.

In October 2022, the DfE Commissioner left the following comments on SCF's annual report: *'With one exception nationally, Council owned companies for children's services have been created through intervention from the DfE following sustained and systemic failure of the local authority in running those services. The most successful of the companies, Achieving for Children (Richmond, Kingston, Windsor and Maidenhead), Worcestershire Children First and Together for Children (Sunderland) deliver children's services more broadly than just social care and have the full support of their Councils with a financially sustainable approach.'*

Slough Children's First has had a series of encouraging Ofsted reports but progress remains fragile particularly around workforce at all levels. There remain significant issues around total funding for the company and financial processes and management. Appropriate governance arrangements between the Council and the Company are crucial if the aim of a "good" or better overall Ofsted rating is to be achieved.

In October 2022, the Council shared the findings of a desktop review performed by the Council's principal lawyer on the governance arrangements surrounding SCF.

Several areas of concern were identified:

- The induction processes for new directors and development programme were not as comprehensive as they should be – thus limiting accountability for executive officers.
- There was a lack of clarity surrounding the role of the Lead Member for Children's Services
- There was a lack of assurance surrounding the effectiveness of the Board
- There was a lack of clarity on responsibility for assessing and monitoring value for money
- There were issues surrounding reporting of risks
- There was a lack of adherence to reporting requirements
- The Financial Procedure Rules were not fit for purpose

Governance

Due to concerns surrounding the level of investment requested and length of time required to deliver savings as per the SCF business plan, the DfE commissioned Mutual Ventures to perform a review of the plan.

The Mutual Ventures report shows significant concerns in SCF's position. The baseline in the revised business plan showed a cumulative deterioration in the bottom line of £21m over four years from 2022/23 to 2025/26. The majority of this cumulative impact results from increasing demand pressures. The relationship with the Council and the company needs to continue to improve to ensure effective and proportionate oversight mechanisms. MV found that SCF's financial model showed optimism bias in the assumptions relating to core services, savings proposals. It is MV's view that the financial outlook could be improved but that it would be critically dependent on strong, stable leadership and the appointment of a permanent DCS.

The Council's latest Recovery Plan Phase 2 2024 – 2026 features children's services as one of the key recovery objectives. Objective 4 is 'A good quality delivery model for vulnerable children and families.'

The Council has directed effort to aligning workstreams to respond to three interventions', the Best Value, Getting to Good (Children's Services) and SEND. The Council also plans to direct greater focus to its operating model and that of its companies.

Performance of the company is reported to the Council via quarterly Strategic Commissioning Meetings chaired by the Council's Chief Executive. The Council holds the company to account for performance against the contractual indicators. In between these meetings, there are monthly Contract Monitoring Meetings.

The Audit and Corporate Governance Committee also receives quarterly updates. During these meetings, Members are provided with the opportunity to challenge performance or variances to budget. In addition, the lead member for children's attends the 'Getting to Good' Board chaired by the DfE Commissioner where performance is scrutinised.

From our review, it is clear that there has been significant progress in the governance of Slough Children's First and this reflects a positive direction of travel. 2023/24 proves to be a marked shift toward improved progress and we want to give the Council and the company credit for this positive improvement. SCF was not able to produce an annual report for 2022/23 but has now produced a 2023/24 annual report which was presented to the September 2024 Cabinet. This report shows that SCF has been able to deliver services within its budget for 2023/24 whilst continuing to improve services. There are indications that this will lead to further reductions in the contract sum than those presented in the business plan which was approved in December 2023.

We do, however, remain concerned surrounding the company's relationship with the Council as it is still very much on its improvement journey. There is undoubtedly a positive direction of travel but we do not yet feel comfortable that the governance has improved such that we can de-escalate our significant weakness and key recommendation from the prior year. Risks still remain as is evidenced by our previous commentary but we encourage the Council to continue on this path of improvement. For this reason, our key recommendation remains outstanding but it is worth saying that we will continue to monitor this position and make note of improvements.

Governance of Council-owned companies (excluding Slough Children's First)

In May 2021, we issued a statutory recommendation that the Council should review and implement effective financial governance and monitoring arrangements for its group entities (subsidiaries). This was based upon our findings of the 2018/19 audit of the financial statements.

From December 2021, the Council has been under formal direction from DLUHC. Under the Directions, the Council was required to review its companies within 6 months and consider the case for continuing with each subsidiary company. For those it agreed to continue, the Council should ensure the appointed directors are appropriately skilled in either technical or company governance matters to make sure the Board functions effectively under an explicit shareholder agreement and that there is a nominated shareholder representative.

We commented on the Council's arrangements with its subsidiaries in our 2019/20 and 2020/21 VfM report which was reported to Audit & Corporate Governance Committee in May 2024. We reported that we had seen some improvement in the Council's governance arrangements. We also provided an update of the status of the companies as at 24 March 2023.

In this report, we will only comment on the companies that continue to be in operation.

Governance

As at 24 March 2023, the following five companies were the only ones in operation:

- James Elliman Homes Limited
- Ground Rent Estates 5 Limited
- Development Initiative Slough Housing Company Limited
- Slough Urban Renewal LLP
- Slough Children's First Ltd

JEH

James Elliman Homes Ltd (JEH) was set up with the aim of increasing the Council's housing supply and providing housing options to vulnerable groups in the borough. The company has several properties and temporary accommodation units which are let out by the Council and used to support the Council in discharging its Homelessness Duty. JEH employs no people – all services are provided by the Council under the terms of an SLA.

At the end of 2021/22, JEH was still actively trading but the Council was performing an options review to consider a Council exit strategy/disposal strategy. JEH had been prioritised over Development Initiative Slough Housing Company Limited (DISH) due to the higher risk associated with the Council's loan facility with JEH, the high asset value and the associated impact on the Council's debt reduction strategy. In March 2022, it was noted that JEH was still operating at a loss due to lower levels of rent being received than was envisaged by the original business plan.

In March 2024, the Council noted that there had been less formal reporting and progress made in relation to JEH. Further work is needed to ensure the governance arrangements are in place and suitable and effective. A director was appointed in March 2024 but they have already resigned and the Council has had to seek an extension from Companies House on the filing of JEH's accounts. The company continues to make losses and there continues to be a lack of appropriate segregation between the accounting transactions relating to the company and the Council. This shows a lack of financial and regulatory controls on the day to day activities of the company.

GRE5

Ground Rent Estates 5 Limited (GRE5) owns the freehold to Nova House, a tower block of 58 apartments located in Slough town centre. GRE5's core day-to-day activities include the collection of ground rent, freehold extensions and management of some services provided to residents/owners at Nova House.

At the end of 2021/22, GRE5 was actively trading and Nova House was in the middle of a major redevelopment programme. In 2021/22, the Council introduced a range of changes to strengthen governance, oversight, management and decision-making with GRE5. In March 2022, the Council reported its total exposure in relation to GRE5 to be £10.3m assuming no recovery of monies of the Council's liability.

In March 2023, the Cabinet received an update on the position of Nova House/GRE5. Following the Grenfell Tower fire, high rise residential buildings were subject to testing to identify whether they had a similar combustible cladding. Nova House failed flammability tests in 2017. Further survey work revealed additional issues relating to compartmentation within the building and further structural defects. In 2018, following discussion with the then Ministry of Housing, Communities and Local Government (MHCLG) and Royal Berkshire Fire and Rescue Service, the Council approved the acquisition of 100% of the share capital of GRE5 for £1 due to concerns about the capacity and ability of the company, and its existing shareholders at that time, to undertake the substantial remediation works required and concerns about the safety of residents. Whilst the exact scope of works was unknown at that stage, costs were anticipated to be c.£10m and it was assumed at that time that the Council would be able to recover some or all of the costs associated with the remediation works to address the defects from a third party (not named at the time of acquisition) following a legal claim. Following the acquisition of GRE5, interim fire safety measures were put in place to ensure safety of residents. A scope of works and a Development Agreement were agreed with Slough Urban Renewal (SUR) in 2020 to remove all Aluminium Composite Material (ACM) Cladding and associated replacement works. The original works project experienced delays due to covid restrictions and the requirement to undertake additional tests and surveys due to concerns identified as cladding materials were removed from the building. All ACM was fully removed by the end of January 2022. Further investigations took place during 2022/23 which revealed further defects and technical issues. Following technical advice, it was determined that the structural issues would be addressed before the cladding and balcony works.

New governance and management arrangements were introduced in 2022/23 to strengthen internal reporting, including weekly GRE5 team meetings, monthly GRE5 board meetings and monthly meetings between Council officers and GRE5 directors. The Council has established a corporate oversight function which includes representatives from across the Council and a SRO has been designated. In March 2023, the business plan was also approved.

Governance

DISH

The aims of DISH include the development, improvement of national housing stock and the rationalisation of the use and availability of housing. Following its incorporation in 1998, DISH entered into an Access Licence Agreement with SBC under which it was granted access to land off Long Readings Lane to build 54 properties (42 two bed and 12 four bed). In November 1989 DISH then entered a 30-year lease with SBC in relation to the properties which was extended a few years ago up to 2027.

Under the lease the company is required to offer the provision of housing management and letting services to the Council. DISH employs no people – all services are provided by the Council in line with the lease conditions. At the end of 2021/22, DISH was actively trading. DISH presents a lower risk compared to other Council owned companies as it is a longstanding lease agreement. In March 2022, the Council noted concerns that there was little definition between the management of the Council's own HRA stock and DISH properties but that this would be addressed through work toward governance improvements.

It is unclear what developments have been made with DISH since March 2022 as there has been little public reporting on it. We were unable to meet with the Executive Director Regeneration, Housing and Environment due to a lack of response. We therefore do not have assurance that the company governance arrangements are adequate or appropriate.

SUR

Slough Urban Renewal (SUR) is a Local Asset Backed Vehicle (LABV) formed as a 50:50 Limited Liability Partnership between the Council and Community Solutions for Regeneration (Slough) Limited (a wholly owned subsidiary of Morgan Sindall Investments Ltd (MSIL)). It is therefore not strictly a 'company.' SUR operates as a commercial development and regeneration partner to the Council with joint governance. SUR adopts the construction, programme, delivery and demand risk for development sites after paying the Council Market Value of the site where it is the landowner. The overriding purpose of SUR is to assist the Council in meeting its objectives in regenerating the residential, educational, leisure, social and commercial infrastructure of Slough.

At the end of 2021/22, the Council had performed an options review and decided to reduce the activities within SUR.

SUR's activities are reported to Cabinet on a site by site basis. In September 2023, the business plan was approved and the site development plan for Haymill. Another report on the Soke Wharf site is planned for July 2024.

Each of the Council's companies have different operating models which makes comparison difficult. In 2023, the Cabinet had its Terms of Reference extended to ensure greater control and oversight over company arrangements. As demonstrated with the lack of reporting and progress in JEH and DISH, there is still significant work that the Council must do in order to address the weaknesses in the company governance arrangements. Our statutory recommendation in this area remains outstanding.

The Audit and Corporate Governance Committee

The Audit and Corporate Governance Committee provides an independent and high level focus on the adequacy of governance, risk and control arrangements. The Committee plays a role in ensuring there is sufficient assurance over governance and risk and gives greater confidence to all those charged with governance that those arrangements are effective.

Weaknesses in the functioning of the Audit and Corporate Governance Committee were well reported during 2021/22 and 2022/23. DLUHC's governance review from 2021 spoke of Members noting an 'erosion of trust'. The Audit and Corporate Governance Committee members spoke of having weak confidence in reports provided by officers.

At the July 2024 meeting, the Audit and Corporate Governance Committee reported a self-assessment on their performance for 2023/24. The committee recognise that it is still not operating at a standard whereby it can effectively contribute to good governance, effective internal controls and strong public financial management within the Council.

The Committee currently consists of eight members and four co-opted independent members. There are no statutory requirements that determine the composition of the audit committee. CIPFA's guidance Audit Committees: Practical Guidance for Local Authorities and Police (2022) recommends that authorities should strive to have no more than eight members. A committee of this size should allow sufficient breadth of experience but is small enough to allow the training and development of a dedicated group. The Council is in compliance with this recommendation.

There is still room for improvement. There has been significant change in committee membership.

Governance

The Committee needs consistency in membership over a long period to sustain effectiveness and to allow members to develop knowledge and skills.

As reported in the Annual Report 2023/24, there was good attendance at Audit and Corporate Governance Committee for 2023/24.

CIPFA's guidance Audit Committees: Practical Guidance for Local Authorities and Police (2022) states that in order to discharge its responsibilities effectively the committee should meet regularly – at least four times a year. Slough's and Corporate Governance Committee met eight times in 2023/24, therefore in compliance with the recommendation.

CIPFA's guidance also recommends that the audit committee report annually on how it has discharged its responsibilities.

The Council met this in 2023/24 though the report requires development. We raise an improvement recommendation urging the Audit and Corporate Governance Committee to consider how it has complied with the position statement and improve the level of reporting in the self-assessment. The CIPFA guidance will be a key resource to fulfilling this improvement recommendation.

We raise an improvement recommendation for the Council to develop an appropriate training programme for audit committee members to be delivered in a timely and meaningful manner. There needs to be a focus on designing and delivering the required training for members to carry out their roles effectively. In 2023/24, training was delivered late and inadequate in some areas.

Through our experience as external auditors for the Council for a number of years, we have also seen evidence of politicisation of the audit committee.

It is important for Audit and Corporate Governance Committee members to maintain an apolitical approach. Audit and Standards Committee is a non-political, non-scrutiny committee that is primarily considered with the operations and arrangements at the organisation. It is important that a political culture is not fostered in this forum. We raise an improvement recommendation in this area.

Leadership and tone from the top

Since December 2021, the Council has effectively had three levels of leadership: the elected administration (the members), senior officers and the Commissioners.

As acknowledged in the First Stage Recovery Plan presented to Cabinet in March 2022, 'the root cause of any organisational failure of this magnitude is failure of leadership, at both officer and Member level.

At the beginning of 2021/22, the Council had a Labour majority which was maintained in the May 2021 and May 2022 elections. Following a boundary review and change to the electoral cycle, all 42 seats on the Council were up for election in 2023. Previously, a third of the Council was elected every three years of every four but from 2023 onwards the whole Council would be elected together every four years. This election saw a marked change in the elected administration as the Conservatives saw substantial gains but an ultimately a no overall control result was returned. Slough was the only Labour-held Council in the 2023 local elections that the party lost control of. The Conservatives formed an administration through a co-operative agreement with the Liberal Democrats. This remains in place at the time of writing.

During 2021/22, the administration received critique from Commissioners and DLUHC in the reporting during the year.

The Commissioner's first report noted that members were not scrutinising effectively, there was passivity and a lack of top level leadership and a poor leadership culture.

The Commissioner's second report was following 12 months of intervention. It reported that member to officer engagement in the development of reports could improve in order to secure member commitment to improvement.

The May 2023 election marked a decisive change in elected leadership as a new administration was introduced to the Council. The Commissioners were complimentary of the new administration's approach to the improvement journey and felt that it offered the authority a chance to refresh. There were also a significant number of new members who were elected to the Council for the first time in this round of elections. We note that officers have directed tremendous efforts toward inducting and onboarding this new member group. We are encouraged by the Commissioners reports and continue to encourage the new administration to take time to foster positive working relationships with officers and take personal responsibility for the improvement journey.

During the years of our review (2021/22 to 2023/24), the Council has had significant turnover in the senior management team at the officer level. Since 1 April 2021 to present day, there have been four Chief Executives, four Section 151 officers, five Monitoring Officers, two Directors of Adult Social Services and three Directors of Children's Social Care.

The Commissioner's first report mentioned a lack of competence by officers and a failure to hold Members properly to account. A blame culture between members and officers had grown which made accountability extremely difficult.

Governance

In 2022/23, the Commissioner's second report highlighted similar leadership challenges. The Commissioners felt that both the political and officer leadership did not see corporate improvement as their overriding responsibility and sometimes had a negative approach to the improvement journey. Effective scrutiny was still not where it needed to be. In June 2022, there was only one permanent employee in the Corporate Leadership Team and many posts in the organisation were still covered by temporary or agency staff.

A new corporate leadership team was in place as at July 2023. This allowed for greater stability and permanence though there has been changes since this team was introduced, further destabilising the organisational leadership.

In order for the Council to secure meaningful improvement, it is critical for the Council to have stable leadership. We raise a key recommendation urging the authority to maintain the permanence of the Corporate Leadership Team so far as is reasonably practicable. The level of churn at the organisation has slowed down the pace of improvement which is one of the Commissioner's key criticisms in the fourth report.

It is worth highlighting that there has been a fair amount of turnover at Commissioner level since 1 April 2021. The Lead Commissioner has changed, the Finance Commissioner has changed and the original Assistant Commissioner is now the Lead Commissioner.

Conclusion

Overall, we determine that seven significant weaknesses persist at the Council for 2021/22, 2022/23 and 2023/24. We raise two new significant weaknesses and key recommendations in this report in relation to the transformation programme and the permanence of senior staff. We consider that a previous significant weakness and statutory recommendation from May 2021 and key recommendation from May 2024 relating to the monitoring and governance of group entities remains outstanding. We consider that our July 2021 statutory recommendation asking the Council to produce a comprehensive project plan for governance remains outstanding. We find that both of our statutory recommendations from February 2023 remain outstanding and our key recommendations from May 2024 relating to the Council's decision-making processes and the governance of Slough Children's First remain outstanding.

Improvement recommendations

Governance

Improvement Recommendation 1	The Council should include the follow up of internal audit actions and recommendations at every directorate leadership team meeting (DLT) as well as SLT.
Audit year	2021/22, 2022/23 and 2023/24
Auditor judgement	In terms of closing down of internal audit recommendations, as of March 2024, there are still 50 overdue actions from 2021/22 outstanding. This is a significant quantum though represents a marked improvement from March 2023 when there were approximately 200 outstanding actions from 2021/11. As of March 2024, there were 60 recommendations outstanding from 2022/23. The Council's challenges in implementing internal audit recommendations appear to be due to high turnover of staff (in internal audit and across the Council), a lack of corporate ownership of internal audit, Council-wide restructures and a failure to chase up the implementation of actions. When the service was provided by RSM, there was quarterly follow up of actions. The current internal audit manager seeks a monthly follow up of actions. We raise an improvement recommendation urging the Council to include the follow up of internal audit actions and recommendations at every directorate leadership team (DLT) meeting as well as SLT meetings. Internal audit must also include, within their provision, monitoring of directorate risk registers (DRRs) on a monthly basis to ensure that internal audit actions are being adequately challenged and addressed.
Management Comments	The Council recognises the importance of an effective internal audit function in providing independent assurance as to the effectiveness of corporate governance, risk management arrangements and internal control processes, and it is incumbent on senior management to ensure that we address and mitigate system, process and wider control environment risks identified through internal audit reviews. All outstanding audit actions to mitigate those risks are now reported monthly to the Council's Corporate Leadership Team and quarterly to Audit and Corporate Governance Committee. Each Directorate now has a monthly "Assurance Directorate Leadership Team" and where appropriate the Head of Internal Audit (or their representative) attends for that purpose. A separate review is being undertaken to assess some longstanding improvement actions to ensure those control risks, identified at the time are still relevant and applicable, given progress in systems improvements and changes in circumstances. An assessment will also be undertaken of the likely investment required in our current systems to effect the control improvements required.

The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

Improvement Recommendation 2	The Council should: • ensure the Audit and Corporate Governance Committee considers how it has complied with the mission statement and improves the level of reporting in the annual self-assessment of its effectiveness using the CIPFA (2022) guidance on audit committees; • develop an appropriate training programme for audit committee members to be delivered in a timely and meaningful manner; • ensure that the audit committee remains apolitical and does not overlap with the roles of other committees e.g. scrutiny.
Audit year	2021/22, 2022/23 and 2023/24
Auditor judgement	We raise an improvement recommendation for the Council to develop an appropriate training programme for audit committee members to be delivered in a timely and meaningful manner. There needs to be a focus on designing and delivering the required training for members to carry out their roles effectively. In 2023/24, training was delivered late and inadequate in some areas. Through our experience as external auditors for the Council for a number of years, we have also seen evidence of politicization of the audit committee. It is important for Audit and Corporate Governance Committee members to maintain an apolitical approach. Audit and Standards Committee is a non-political, non-scrutiny committee that is primarily considered with the operations and arrangements at the organisation. It is important that a political culture is not fostered in this forum. We raise an improvement recommendation in this area.
Management Comments	Council officers have recognised the need to provide further support and systems to ensure an effective Audit and Corporate Governance Committee. It is important to show the journey and level of work that has been put in place to support improvements. 2021/22: • May 2021 – extraordinary meeting in May 2021 to present a report from the then Associate Director of Finance highlighting the very serious issues being highlighted by external audit reports and the lack of skills and capacity in the finance team and fundamental weaknesses in financial processes. The Committee also received the external auditor reports, including s.24 recommendations. The Committee Chair agreed for non-committee members to speak and invited the Leader of the Council to the meeting to be questioned. • September 2021 – the Committee agreed a new Policy Statement on Corporate Governance for approval by Full Council, reflecting for the first time the 2016 CIPFA / SOLACE framework. • December 2021 – the Committee considered revised terms of reference to give effect to recommendations from the LGA Governance Review 2020, the CIPFA and DLUHC reviews and CIPFA best practice.

Improvement recommendations

Governance

Management Comments (continued)

- The Committee also received a training programme update taking account of the LGA Governance Review in 2020, appending the CIPFA guidance and the self-assessment form that each member was required to complete to inform a new training programme. Training sessions on local government finance, role of committee members and statements of accounts were timetabled for the remainder of the financial year.
- January 2022 – the Committee approved revised terms of reference for approval by Full Council separating out the functions of audit and standards into two separate committees. The terms set out the requirement for a minimum of an annual report to Council on the Committee's effectiveness.
- The Committee received an update on subsidiary company governance, confirming the closure of 6 entities that had been dormant or not trading and setting out actions taken in relation to other companies. Officers agreed to report on Slough Children First in future reporting, it having become wholly owned in 2021.

2022/23
- September 2022 – the Committee received a comprehensive annual report on statutory and corporate complaints in addition to LGSCO complaints, setting out more detail on the learning and improvements made in response.
- December 2022 – the Committee received a detailed report on Slough Children First reporting on a governance review and action plan progress.
- January 2023 – the Committee received a report updating on recruitment plans to insource the internal audit function.
- February 2023 – the Committee received an update on the accounts and audit for 2018/19, including that a disclaimer of opinion was being given by the external auditors and plans for future years' accounts highlighting the issue with lack of working papers in many areas, material errors in opening balances and a material overstatement of income. Information was provided on process improvements being put in place and that these would take time to embed.
- The Committee received a report on further s.24 recommendation in relation to Observatory House. The report set out the lessons learned by the Council since this decision and action taken including constitutional changes, adoption of new councillor code of conduct, updated financial procedure and contract procedure rules, officer training and a report clearance process requiring sign off by Monitoring Officer and s.151 Officer. Further steps included member training on governance and decision-making, officer and member training on business cases and induction and management training on governance and decision-making.

2023/24

Following the whole Council elections in May 2024, new members were appointed to the committee and a training session took place on 7 June 2023.
- July 2023 – the Committee approved a new internal audit plan and internal audit charter.
- The Committee received the annual governance statement for 2022/23 reflecting a decision to undertake the assessment for the previous year even though the accounts had not been closed or audited.
- November 2023 – the Committee received an update on progress against the SCG governance review with the new Chair of the Board and Chair of SCF Audit and Corporate Governance Committee in attendance.
- The Committee also received an update on progress against the AGS 2022/23 action plan for the first time.

(continued)

Improvement recommendations

Governance

Management Comments (continued)

- February 2024 – the Committee received a draft Treasury Management Strategy, with committee members querying the accuracy of figures demonstrating the ability to scrutinise the detail and raise concerns. Members requested further training and additional information before the strategy was presented to Full Council.
- March 2024 – the Committee agreed that sufficient progress had been made on SCF governance to stop the need for quarterly updates to be presented to it.
- The Committee received an updated Code of Corporate Governance with detailed of planned consultation being set out prior to submission to Full Council.
- The 2023/24 Annual Report was presented to the Committee in July 2024 and followed a self-assessment by the Committee against CIPFA best practice. This included the training delivered in 2023/24 and plans for a future training programme. The Report highlighted key areas of improvement required in 2024/25 in each of the areas of responsibility for the Committee.
- The Chair of the Committee was reflective in his introduction, confirming that whilst members had grown in confidence and report quality had improved, the committee was still not operating at a standard whereby it can effectively contribute to good governance, effective internal controls and strong public financial management. He noted that members had brought an independent mindset and in general manged to put aside any party-political differences.
- Council officers (and committee members) accept that there is still work to be done to ensure effectiveness, but in response to the recommendations:

  (1) Compliance with mission statement and improvement in level of reporting on self-assessment – this was achieved in 2023/24 by virtue of an annual report informed by a whole committee self-assessment;

  (2) Develop an appropriate training programme. Training has been delivered throughout the period, including induction training to a wholly new committee in 2023. The training delivered in 2023/24 was delivered in accordance with an agreed timetable and included external training on treasury management. The updated terms of reference for the Committee make clear the skills required of elected members and each political group is asked to consider these and direct members to LGA training material before nominating them to the Committee. The Chair of the Committee from 2023 has undertaken training on his role and has been allocated a mentor, who has attended and observed the committee.

  (3) Ensure the committee remains apolitical and does not overlap with scrutiny. In the Annual Report for 2023/24 the Chair of the Committee recognised the independent mindset that members presented and that in general members had put aside party-political differences. In addition, the committee has co-opted members to provide a level of independence. The committee is made up of elected members on a politically proportionate basis, therefore whilst members should avoid discussing party political issues or expressing political opinions referring to the committee as non-political is potentially misleading. The Chair of the Committee has given an open invite to all committee members to attend meetings he has with internal and external auditors and has demonstrated the ability to work with elected members and independent co-opted members across political groups. Council officers are unaware of any improper overlap with scrutiny.

Improving economy, efficiency and effectiveness

We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Performance reporting

At the beginning of 2021/22, the Council's priorities and performance were being guided by the Five Year Plan 2021-26 and the Slough 2040 Vision. The overarching priority outcomes were noted as:

- Slough children will grow up to be happy, healthy and successful
- Our people will be healthier and manage their own care needs
- Slough will be an attractive place where people choose to live, work and stay
- Our residents will live in good quality homes
- Slough will attract, retain and grow businesses and investment to provide opportunities for our residents

The Council stated that it would measure performance against this plan via an Annual Report with case studies and performance indicators. This would reported using a balanced scorecard of key performance indicators which was presented to Cabinet and Scrutiny on a quarterly basis. Our review shows that there is only evidence of one performance report being taken to Cabinet during 2021/22 (at the September 2021 meeting). There is no evidence of any other performance reports going to the Cabinet in 2021/22.

There is also no evidence of any performance reporting in 2022/23.

The next performance report taken to Cabinet was in 2023/24 – in August and October 2023 and April 2024. We have also reviewed the performance report for Quarter 4 2023/24.

It is therefore evident that the Council ceased normal reporting arrangements during 2021/22 and 2022/23. As part of the Finance Action Plan following the Section 114 notice in July 2021, the Council devised key actions for improvement in relation to performance reporting. The Council set the objectives of:

- Agreeing a clear set of Key Performance Indicators (KPIs)
- Creating a performance culture within the services that includes performance management, accountability and ownership
- Achieving recognition for performance and service improvement in the sector.

As at June 2022, the Council acknowledged that it had not progressed on these objectives as 'focus was on other key projects.' It is clear that this was not picked up again until 2023/24.

We conclude this to be a significant weakness in arrangements for 2021/22 and 2022/23. Given the circumstances the authority was experiencing at the time, it is unsurprising that it was not reporting its performance in line with expectation. The Council has been able to return to normal reporting for 2023/24 – the significant weakness is therefore lifted in this year.

Improving economy, efficiency and effectiveness

Despite the lack of reporting on performance, the Council approved a new Corporate Plan in 2022 which was titled 'Slough Borough Council Corporate Plan 2022-2025 (Improvement & Recovery Plan)'. The Corporate Plan was then updated in September 2023. The Council's latest Corporate Plan sets out its purpose, approach and priorities for the period 2023 to 2027. The Council note its purpose to be: 'closing the healthy live expectancy gap, by focusing on children.' The new priorities are:

1. A borough for children and young people to thrive
2. A town where residents can live healthier, safer and more independent lives
3. A cleaner, healthier and more prosperous Slough

The Council measures performance against 44 key performance indicators. The latest position (as at March 2024) shows a mixed picture with 25% rated as Green, 9% rated as Amber, 32% as Red and 34% rates as Blue which means the metric is still being monitored for trends. The indicators are linked to the priorities in the Corporate Plan. Unsurprisingly, the priority with a significant number of 'Red' ratings is Priority 1: A borough for children and young people to thrive.

The Council's performance must improve if it is to demonstrate to its taxpayers that it is achieving value for money in its service provision.

Procurement and contract management

The procurement and contract management function at Slough was also affected by the Our Futures restructure at the beginning of our period of reporting. Staff from other areas of the organisation became members of the procurement team, not necessarily with the associated skillset required to management procurement and contract management activities.

When the restructure happened, the procurement function was outsourced. The Council did not effectively manage the contract with the provider and this resulted in the procurement and contract management function at the authority being relatively ineffective. The function lacked strategic management and operated in a fairly reactive manner. In 2021/22, the policies and procedures supporting procurement were also relatively weak. For example, the Contract Procedure Rules required tendering for all contracts above £2,500 which proved difficult to resource and enforce. There was no contracts register, no corporate oversight of procurement activity from the Council and there was the risk that contracts were not being appropriately managed to ensure value for money was secured.

In November 2021, Council officers reported to members that putting in a Procurement Strategy was being developed and subsequently implemented. The Cabinet received a report which showed other actions being taken to improve procurement and contract management including: a review of the Contract Procedure Rules, development of a contracts register, update to Financial Regulations and preparation of new procurement and contract management guidance.

In June 2022, the Council informed the procurement provider of the intention to bring the procurement function in-house and by October 2022 the Council had exited the outsourced arrangement. During this time, the Head of Commercial was leading significant efforts to improve the governance processes supporting procurement at the Council, including revising the Contract Procedure Rules and introducing a contracts register. In January 2022, a project was initiated to introduce a contracts register to the Council. By June 2022, the register was in place and the project had entered phase 2 which involves using the register to identify contracts to be terminated as they were surplus to requirements and there were opportunities to gain better value for money through changing the scope of the contracts or combining contracts. In November 2022, updated Contract Procedure Rules (which included raising the threshold) were approved by the Council.

DLUHC issued a direction to the Council in September 2022 surrounding procurement and contract management. The direction reads as follows: the Council is required to prepare and agree an action plan 'to achieve improvements in relation to the proper functioning of the procurement and contract management function, which includes an independent review.' By December 2022, Commissioner's had noted there to be notable progress in this area which was to be commended owing to the Council's efforts in improving processes and procedures in the function.

The Commissioner's third report from September 2023 praised the Council's efforts surrounding the improvement of the systems and processes supporting procurement and contract management. This included the management of the contracts register, the development of a commercial strategy and the efforts of the head of commercial services.

Improving economy, efficiency and effectiveness

The Commissioners still reported difficulties in recruiting and retaining sufficiently skilled staff for the team. The Council has had to procure external consultancy support to fill some of the capacity and skills gaps.

Commissioners were pleased to note areas of progress in procurement and contract management in their fourth report. They welcomed the development of the new social value policy and proposed development of the commercial strategy for procurement.

We raise an improvement recommendation to urge the Council to develop a procurement strategy. We have learnt that this is in development but highlight this recommendation to track the Council's progress on this.

Service performance: children's services

The Council's children's care provision has been under DfE intervention for almost a decade. In 2011, the service received an 'inadequate' rating from Ofsted. Following another Ofsted inspection in 2013, the Council was subject to intervention from the DfE from 2014. Another Ofsted inspection in 2015/16 found Slough to be 'inadequate' again. In 2019, the service improved significantly and was determined to be 'requires improvement to be good.'

On 1 April 2021, Slough Children's Services Trust's articles and ownership changed to make Slough Children's First, a company limited by guarantee by the Council. The Chief Executive of the Company is also the Director of Children's Services (DCS) at the Council. Slough experienced challenges with strategic leadership with four DCSs since 2021 (three were interim and one was permanent) and the extended leave of the then Council Chief Executive.

In July 2021, Ofsted deemed the Council's independent fostering agency (IFA) to be good in all areas (children, help and protection and leadership and management). In September 2021, the SEND services were deemed to require a Written Statement of Action. The Written Statement of Action (WSOA) represented the first part of a series of steps required to address the significant areas of weakness identified in the inspection report. The inspection found that the leaders had not effectively implemented the Children and Families Act 2014 reforms and the Council, company and the CCG had failed to work together to develop an effective strategy for doing so. It reflected that there was an evident desire to improve but that this was still in its infancy. The inspection noted that: there was too little focus on the reality faced by children with SEND and their families, information about support was not readily available or understood, co-production was weak, joint commissioning was not well developed, waiting times for occupational therapy and neurodevelopmental needs were unacceptably long.

The Council/company had a positive Breakaway inspection in October 2021 which noted the overall experience of children and young people to be good. Children and young people felt helped and protected, the effectiveness of leaders and management was noted to be outstanding.

In January 2022, Ofsted performed a focused visit to Slough Children's First looking at the authority's arrangements for 'front door' services including decision-making for contracts and referrals about children, child protection inquiries, decisions to step up or down from early help and assessments for children in need. The inspection concluded a mixed picture. Staff were positive, leaders know the service well, the relationship between the Council and strategic partners had improved, MASH was helping to keep children safe and a range of recruitment strategies were in place.

However, there were still significant challenges in recruitment and retention, inspectors found bottlenecks in early help and safeguarding meaning families did not receive support quickly enough, caseloads were still too high and the situation seemed fragile.

The Commissioner's first report in July 2022 similarly presented a mixed view. Recruitment and retention was noted to be a particular challenge in children's services. In the 18 months preceding June 2022, SBC had employed four statutory Directors of Children's Services. This level of churn stymied the organisation's ability to design or deliver plans. Commissioners noted the key need to appoint a permanent DCS with the skills and attributes to deliver. Strong relationships were being built with the DfE commissioner but the financial pressures were proving significant.

The fact that it took the Council from 2015 to 2019 to see improvements in children's services was considered by DLUHC in its governance review published in October 2021 to be indicative of a Council that does not deliver at pace. This charge was echoed in the Commissioner's fourth report.

During 2022/23, the Council/company struggled with increases with demand and high levels of complexity in cases. In January 2023, the Council was subject to an Ofsted inspection that concluded that the service 'requires improvement.' One of the five categories of assessment received an 'inadequate' rating and the other four were 'requires improvement.' The report told a similar story to the DLUHC commissioner's conclusions and found that although there had been improvement from the 2019 position, more needed to be done and improvement was inconsistent.

Improving economy, efficiency and effectiveness

In May 2023, the Council approved a change to the delivery model. The Cabinet agreed to reduce the number of children's centres to retain three children's centres and five childcare sites. This was to ensure that the service could provide optimum operational efficiency and value for money for taxpayers. This is also positive to note given that DLUHC's governance review had commented that there were too many children's centres in operation for a Council of Slough's size in 2021. This was further updated in November 2023 where the Cabinet approved to establish the Family Hub model at the retained three children's centres.

In August 2023, the Secretary of State issued a statutory direction to the Council in relation to its SEND service provision. The direction noted that the conclusion of the joint Ofsted and CQC inspection in 2021 that resulted in a Written Statement of Action. The Secretary of State considered these reports and the reports from the Department for Education appointed Commissioner and found that there was a lack of sufficient progress against the Written Statement of Action which had been approved in March 2022. The Secretary of State therefore resolved that the Council was failing to perform to an adequate standard in relation to its statutory responsibilities relating to SEND.

The DLUHC Commissioner's noted in September 2023 that there had been a new appointment of a Director for Children's Services and that there was a stronger leadership team in place and the reliance on agency staff had decreased considerably. However, the challenges in children's 'are deep' and would take time to build a reliable and sustainable service.

In November 2023, the Cabinet also approved the Children & Young People's Placements Sufficiency Strategy and Children & Young People's Participation Strategy. A Corporate Parenting Strategy was also approved in May 2024.

The Commissioner's noted in January 2024 that there had been a 'positive change of culture' in children's services, that was supported by strong leadership. They noted that there were examples of clear progress and good partnership working but that there were still many outstanding risks and a lack of embedded improvements. The service is struggling with a backlog of cases and historical failures that are hindering its ability to improve. The service continues to receive a high number of complaints as it attempts to deal with the previously unidentified backlog of EHCP claims.

Due to the longstanding (renewed yearly) statutory direction on children's services and the new SEND statutory direction, we identify a significant weakness in the Council's arrangements surrounding the performance of children's services. Children in Slough continue to be failed by the Council's performance in its best value duty. We acknowledge that the Council is making significant efforts toward improving and this is acknowledged through the Commissioner's reports. The Council's overall improvement programme (the Phase 2 Recovery Plan 2024-26) supports governance arrangements to monitor the performance of children's. The company is supported by the Slough Children's First Board and the DfE Commissioner monitors progress via the Improvement Board (previously the Getting to Good Board). SCF's strategic leadership team feed into both these boards. Children's Services improvement forms the third pillar of the improvement plan.

The SEND WSoA and SCF Improvement Programme are the vehicles through which the Council aims to see improvements. We will continue to monitor the Council's journey and are supportive of the efforts being directed towards securing its best value duty.

Failure to meet a minimum service requirement

There is evidence of a further failure to meet a minimum service standard in a core service area during 2022/23. In November 2022, the Cabinet received a report that set out the findings of the Local Government and Social Care Ombudsman (LGSCO) in relation to the Council's policies for determining and awarding disabled facilities grants. The LGSCO had published a public interest report after a complaint was made against the Council to the LGCSO following a delay in the Council's determination of the resident's application for a disabled facilities grant. The LGSCO concluded that the Council had failed to clearly communicate with the resident and that the process for determining the disabilities facilities grant was set out in a Council policy that did not appear to have been approved at Member level.

A public interest report is made if the LGSCO believes that it is in the public interest to highlight a particular issue or problem because of the failures of the authority and the significant impact this has caused. The Council is required to bring this matter to the attention of the local press and residents by publishing two public announcements in local newspapers or newspaper websites, must make the report available free of charge, must report it to elected members and must formally report back to the LGSCO on its intended course of action.

Improving economy, efficiency and effectiveness

The LGSCO made recommendations to the Council to remedy the injustice and the Council fully accepted the recommendations. We note that the Council has already addressed the review of the policy and arrangements in a separate report presented to Cabinet. We urge the Council to assure itself that there are not other instances of this kind of system failure and liaise with the Ombudsman to ensure that it is satisfied with the Council's response to the recommendations.

In terms of weaknesses in core service areas, during 2022, it was reported that more than half of the 83,404 calls that the Council received between January and May 2022 went unanswered and only 43% were picked up. The Council noted that wait times could last up to 45 minutes but on average there was a 14 minute wait time. The Council owed the poor performance to a lack of resources and dependency on interim staff who required significant training. This demonstrates that the Council's financial and governance weaknesses are having a detrimental impact on its ability to deliver a minimum core service standard. However, it is important to note that following work to improve the customer service experience, the Council began to see improvements by October 2023. A report to the Cabinet showed that average wait times was still around 15 minutes but the percentage of calls answered had increased to 56.1% which represents a marginal improvement. The Council must work to improve performance in its customer services function in order to properly meet the needs of its service users.

Partnership working

In our 2020/21 report, we identified a significant weakness for improving economy, efficiency and effectiveness. One of the factors influencing this surrounded the Council's inadequate arrangements to ensure the Council effectively delivered its role within significant partnerships. We found that there was little oversight of partnership arrangements and no evidence of partnership arrangements being reported to Members in 2020/21.

2021/22 represented an extremely difficult year for the Council and its management of partnership arrangements felt the impact of this. The Our Futures transformation programme launched on 1 April 2021, shortly after, the Council issued a Section 114 notice, we issued statutory recommendations against the authority, the Section 151 left the Council and, at the end of the year, the Chief Executive was dismissed for gross negligence and reckless behaviour.

Against this background, it is unsurprising that there is no clear evidence of effective management of partnerships during 2021/22.

Partnership working was one of the key workstreams in the Our Futures programme – the Council hoped to engage with residents to develop the 2040 vision for Slough and secure sign up from health, education, police and third sector partners. In September 2021, the Recovery and Renewal Plan stated the need for the Council to continue to work with statutory partners to deliver its vision for change.

Much of the Council's efforts during 2021/22 was directed toward trying to resolve the issues driven by the Our Futures programme and the discovery of the financial emergency. Partnerships were in operation during 2021/22 but were not necessarily reported clearly to Members, similar to what we concluded in 2020/21.

Slough Borough Council is part of the Frimley Health and Care Integrated Care System (ICS), a partnership of local health and care organisations (including local authorities, voluntary sector, NHS - primary care, community care, hospital provider and ambulance service). The Council worked extensively with the partnership in response to the coronavirus pandemic. This also involved working with the Berkshire local authorities in the local tracing partnerships, the DHSC, the Slough Community Hub, social care provider partners.

One of DLUHC's directions from December 2021 asked the Council to assess the functional capability of all services by the end of February 2022. As part of the assessment, services were asked to identify areas where partnership arrangements needed to be improved, as well as potential areas which might benefit from working in partnership. The Council reflected that a significant amount of officer time was being required to support a variety of statutory partnerships – so partnership working was being affected by the workforce issues (primarily recruitment and retention). While the directions still remain in place, the Commissioner's noted in their fourth report from January 2024 that there are examples in both children's social care and SEND where good partnership working has been demonstrated to support continuous improvement.

In the Annual Governance Statement for 2022/23, the Council noted that it needed to make significant improvements to the way it works with partners, ensuring that partnership forums are effective and evidence the value they add.

Improving economy, efficiency and effectiveness

This was also brought up in the Ofsted inspection report from January 2022. The Council belongs to a number of partnerships, however there is no central record of these, and in some cases it is not clear what legal documentation is in place to govern these arrangements. There is a lack of reporting on the effectiveness of partnerships and whether they are achieving their strategic aims and adding value. Our key recommendation from 2020/21 therefore remains outstanding.

In September 2023, the Council updated its Corporate Plan. The plan states how the Council will work closely with partners to improve outcomes for children in the borough. Strengthening partnerships forms one of the key principles to the Council's approach. As mentioned in the Governance section of this report, the Council is not necessarily utilizing the opportunities within its gift to strengthen partnership arrangements. The Council's proximity to the M4, Heathrow and the significant industrial estate offer unique and promising opportunities for partnership which could be transformative for a Council in Slough's financial position. The incorporation and consideration of these partnerships into the Council's strategy would be a vital channel to pursue in the Council's pursuit of improvement. This has been recognised by Members as early as 2021 but does not appear to have been substantively incorporated into any Council strategic plan. The Council should work to ensure that strengthening partnerships within the context of their transformation journey in order to fully optimise partnership working.

There is a partnership element to Slough's transformation journey and target operating model development. We cannot find evidence of the Council having considered the potential scope for partnerships or opportunities within its business community and how this could support the transformation journey.

It was noted in the Commissioner's first report that the interaction between Slough and it's business community is 'not of the highest quality.' We consider that our key recommendation from 2019/20 and 2020/21 asking the Council to ensure effective partnership arrangements remains outstanding. Slough's trading estate covers over 500 businesses and is the largest industrial state in Europe under single private ownership. It appears to be a missed opportunity from the Council to overlook the potential for partnerships or engagement in this arena.

Learning from other organisations

The Council has arrangements in place to benchmark performance and learn from other local authorities. For example, the Council is part of the LGA Improvement Partnership which is an arrangements which started in 2022 and continues to present day. The partnership is managed monthly by the CEO, Director of Strategy and LGA representatives. The Council are provided with a grant from the LGA to perform their own assessments and are able to access pro bono support from the LGA as part of this arrangement. Performance and good practice benchmarking has been a main theme, for example, there have been peer reviews undertaken in 2024 on Digital, Communications, Early Years and SEND. The partnership has enabled the Council to understand its baseline and facilitated follow up with residents and staff following consultations. This has helped to drive through improvement plans.

The Council are also part of an arrangement to support reviews of recovery models with Thurrock, Croydon, Woking and Liverpool Councils. At the start of 2024, the DLUHC commissions encouraged a review of the other Councils in intervention to help inform the Phase 2 Recovery Plan. The former Slough Chief Executive visited Thurrock in January 2024 to learn of the progress in their recovery plan and the recovery programme lead visited Croydon and Woking in February 2024. This demonstrates that the Council has arrangements in place to learn from other organisations to improve its own performance.

Conclusion

Overall, we consider that three significant weaknesses remain in improving economy, efficiency and effectiveness. We raise two key recommendations in this report relating to performance reporting and children's services and SEND. The key recommendation for performance reporting is only applicable to 2021/22 and 2022/23 and is not applicable to 2023/24. We consider the key recommendation in relation to children's and SEND to be applicable to all three years under review. We also consider a previous key recommendation from May 2024 to be outstanding.

Improvement recommendations

Improving economy, efficiency and effectiveness

Improvement Recommendation 3	The Council should create a Procurement Strategy to set the strategic direction of the procurement function in relation to its organisational support role.
Audit year	2021/22, 2022/23 and 2023/24
Auditor judgement	The Council does not currently have a Procurement Strategy in place. The procurement strategy is a lever for cascading corporate strategy down to services and capital projects delivered through commercial partners. We raise an improvement recommendation to urge the Council to develop a procurement strategy. We have learnt that this is in development but highlight this recommendation to track the Council's progress on this.
Management Comments	The Council recognises the need for an effective Procurement Strategy as a mechanism for ensuring there is a clear approach to the achievement of best value through determination of the most appropriate approach for the delivery of essential services, and where that decision is through third parties, then there is clarity in the objectives and outcomes required, how they will be measured and paid for, and how delivered through the most appropriate form of partnership. This is particularly important as the Council develops it future operating model and determines the most appropriate mechanisms for service delivery. In September 2024, the Council reviewed and refreshed its Contract Procedure (Procurement) Rules, so that they are now consistent with the requirements of the Procurement Act 2023 and provide the "how to" for the procurement process. The Procurement Strategy will be developed over the coming months to align with the requirement of the Procurement Act, in time for its planned implementation in February 2025, and the LGA's National Procurement Strategy for Local Government (2022).

The range of recommendations that external auditors can make is explained in Appendix C.

Follow up of previous recommendations

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Addressed?	Further action?
1	The Council should put in place robust arrangements for the production of the 2019-20 and 2020-21 financial statements and going forward, which meet statutory requirements and international financial reporting standards. In order to achieve this the Council should: • ensure sufficient resources and specialist skills are available to support the accounts production • Ensure the finance team has the skills and capacity to enable effective financial management arrangements and support the production of technically sound financial statements, • Ensure finance officers are provided with additional training, to ensure all staff involved in the accounts production process have the necessary technical knowledge of the CIPFA Code • introduce appropriate project management skills to oversee the timely production of the financial statements and supporting working papers	Statutory	May 2021	No	Recommendation is outstanding

Management update on progress to date (provided by the Council)

The Council recognises that timely and high-quality financial reporting through the annual Statement of Accounts is vital. Whilst many local authorities have experienced significant backlogs in the publication of audited accounts, the position in Slough has been compounded by a legacy of inadequate record keeping and lack of progress in historic accounts preparation.
A dedicated project team has been assembled for the preparation and publication of backlog accounts and for financial years 2019/20 and 2021/22, draft Statements of Accounts were presented to the Council's Audit and Corporate Governance Committee at its meeting of the 25th May 2024, and they were published for the statutory 30 day public inspection period, which concluded during the summer 2024 for both sets of accounts. They have now been made available for external audit, and we are hopeful that audit opinion may be available in time for the November meeting of this Committee on at least the 2019/20 Statement of Accounts.

The preparation of the accounts was undertaken in conjunction with a review of the Council's Balance Sheet position to provide assurance on the opening balances for 2023/24. The review focussed on a number of identified risk areas based on materiality, complexity and sensitivity. A further review of cash reconciliations is being undertaken as a subsequent identified area of concern.
The extension to the deadline for the production of audited Statements of Accounts for the period up to 2022/23 has facilitated a reset of the Council's timetable for their completion, as we have encountered significant legacy issues arising from lack of historic reconciliations, inadequacy of accounts postings and evidential record keeping with regard to the 2021/22 accounts. Some issues go back to prior years, and officers have had to review their materiality with regards to impact on the financial position going back to 2018/19. Details of issues identified have been reported through the Council's Audit and Corporate Governance Committee at both the 10th July and 30th September 2024 meetings.

A revised timetable has been agreed for the completion of all outstanding Statements of Accounts to 2023/24, which take account of the Accounts and Audit (Amendment) Regulations 2024 as laid before Parliament during September.

As part of the wider Finance Improvement Programme all finance staff are being assessed against the CIPFA competency framework and specific training programmes are being developed to equip the team with the necessary technical accounting and project management skills where gaps are identified.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Addressed?	Further action?
2	The Council should develop a comprehensive project plan for the preparation of the accounts which ensures that: • the entries in the accounts are supported by good quality working papers which are available at the start of the audit • the financial statements and working papers have been subject to robust quality assurance prior to approval by the S151 officer there is clear ownership and accountability for tasks across service areas to support the timely production of the financial statements.	Statutory	May 2021	No	Recommendation is outstanding

Management update on progress to date (provided by the Council)

The preparation of backlog accounts has identified a significant number of issues with regard to the adequacy of working papers, some of which will have been addressed as part of the 2023/24 Statement of Accounts audit process, but for a significant number will need to be addressed in time for the 2024/25 accounts. Officers are having to fundamentally review and improve accounting arrangements with a clear focus on accounts integrity, supported by documented evidence and clear audit trails.

A detailed project plan was prepared for each of the backlog accounts, and these will be built upon as we ensure all processes are documented, with clarity on ownership and accountability. supported by evidence and improved assurance reporting to facilitate more robust quality assurance.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Addressed?	Further action?
3	The Council should take urgent action to address its low levels of unearmarked and earmarked revenue reserves through: • developing a clear, sustainable medium term financial plan to significantly replenish reserves to a level that enable it to respond to any significant unexpected events or manage its position effectively where its savings programmes are not fully achieved. • Reviewing its medium term savings plans to ensure that clear proposals are developed to achieve savings requirements in line with the revised MTFP and reserves strategy • Ensuring agreed savings are owned across the Council by officers and lead members to ensure clear ownership and accountability for delivery • Ensuring it puts in place a clear and transparent savings monitoring and reporting process, in order to ensure that council departments are held to account for delivery of required savings	Statutory	May 2021	No	Recommendation is outstanding

Management update on progress to date (provided by the Council)

The Council recognises the need for adequate levels of useable reserves, and it is clear that when taking account of the financial risks the Council is exposed to, that a level appropriate for most local authorities is unlikely to sufficient for Slough.

It is also recognised that in the context of both local legacy and ongoing national funding pressures that the Council's medium term financial planning and budget setting arrangements need to improve. The first quarter for 2024/25 forecast a significant General Fund overspend, significant risk to the delivery of approved savings and the need to identify new mitigations to balance the budget. Officers reported to the September 16th Cabinet the identification of some £11.423m of recovery actions in order the balance the 2024/25 budget.

The basis of some prior years' budget assumptions are now having to be re-evaluated as our knowledge base gradually improves and we track performance to date. Furthermore, as we progress the backlog accounts process, we will continue to quantify the scale of legacy liabilities or assets, their impact on the "true" financial position of the Council and their risk to future financial sustainability. This is key to fixing the foundations of the Council. But we are also facing significant growth pressures, particularly in Adults Social Care and Homelessness, which also need to be contained.

We are refreshing our Treasury Management and Medium-Term Financial Strategy assumptions, and a report will be considered by the Council's Cabinet at its November meeting. Our current working assumption for 2025/26 is a GF budget gap of over £20m and senior leaders across the Council have been tasked with identifying alternative efficiencies, income generation opportunities and service changes that will address the gap in advance of delivery of a new operating mode for the Council. The design authority assessment approach to each proposition will facilitate more rigour in their evaluation and risk quantification. More rigour will also be applied to the benefits realisation and risk assessments, with ownership. and greater transparency and accountability required in ensuring the delivery clearly aligns to Council approved savings. Progress in delivery of savings is currently reported to Cabinet on a quarterly basis, and risk rated, with some mitigations identified where risk of delivery is rated as high.

Officers will ensure a more evidence-based approach in the 2025/26 budget setting process, with clear evaluation of risks and sensitivities. Over the autumn a major public consultation and engagement process will be undertaken, and a special dedicated Corporate and Improvement Scrutiny Budget Task and Finish Group has been set up to provide challenge and improved transparency of underlying issues and assumptions across the Council.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Addressed?	Further action?
4	• The Council should review and implement effective financial governance and monitoring arrangements for its group relationships to mitigate exposure to additional financial risk. • As a commercial entity subject to separate legal, tax and accounting considerations, there should be clear separation financial transactions of Slough Council and James Elliman Homes, in a separate financial ledger, with clear and distinct financial controls and monitoring in place for both the Council and the company. • The Council should review its overall approach to using council officers on the boards of its group companies and other similar organisations. This should be informed by a full understanding of the role of and legal requirements for company board members. • When allocating roles on Council-owned organisations to individual officers, the Council should ensure that the scope for conflicts of interest is minimised, with a clear divide between those in such roles and those responsible for holding them to account or overseeing them. • The Council should ensure it is actively and routinely monitoring the financial performance of its group entities to consider and protect any unintended financial exposure on the Council's financial position	Statutory	May 2021	No	Recommendation is outstanding

Management update on progress to date (provided by the Council)

An outline improvement plan for the Council's subsidiaries was agreed by the Council's Asset Disposal Committee, which oversees the Council's companies, at its meeting on the 12th September. With specific regard to James Elliman Homes, key immediate actions include finalisation of business plans with clear financial objectives for review and approval by the Shareholder (scheduled for Autumn 2024), ensuring the 2023/24 statutory accounts are properly prepared, audited and filed at Companies House by the 31st December deadline, a review of the board make-up is undertaken to ensure there is sufficient and appropriate skills amongst company directors and independence from the Council, and ensuring their financial arrangements demonstrate sufficient separation from those of the Council – with greater clarity of support services provided by the Council and the cost of providing those services. Furthermore, an options appraisal project group has been set up to review future options during Quarter 3 2024/25.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Addressed?	Further action?
5	The Council should put in place arrangements to address the issues raised by the S151 officer as set out in his section 114 report. In our view the Council should: • Report progress against the action plan to full Council at every meeting • Support the S151 officer's root and branch review of all aspects of the Council's finances • Invest significant extra resource in finance capacity, internal audit and risk management to ensure robust processes are brought into place across all of the Council's financial and budget management arrangements to meet statutory financial obligations.	Statutory	July 2021	No	Recommendation is outstanding

Management update on progress to date (provided by the Council)

The Council recognises that in the context of both local legacy and ongoing national funding pressures that the Council's medium term financial planning and budget setting arrangements need to improve, and indeed the basis of many prior years' budget assumptions are being re-evaluated as our knowledge base improves and we better track performance to date. Furthermore, as we progress the backlog accounts process, we will continue to quantify the scale of legacy liabilities or assets, their impact on the "true" financial position of the Council and their risk to future financial sustainability. This is key to fixing the foundations of the Council. But we are also facing significant growth pressures, particularly in Adults Social Care and Homelessness, which also need to be contained.

The Finance Improvement Programme has been refreshed during this financial year to align with the professional standards of CIPFA's Financial Management code that sets out the standards of financial management for local authorities. The FM Code is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. Progress is reported regularly through the Council's Corporate Leadership Team and is also reviewed regularly by Commissioners. However, we do not consider it appropriate, at this juncture to report progress to every Council meeting. Sufficient arrangements are in considered to be in place to provide assurance of the progress of the improvement programme.

The Council has invested in significant additional capacity to manage the backlog accounts process and engaged in a strategic partnership for key discovery work as part of the balance sheet review process, and some of this resource will be utilised in supporting the reinstatement of robust process. However, there is a recognition that more needs to be done to strengthen resources in financial systems and operations. Additional specialist support has been brought in, as an interim measure, to support risk management processes across the Council. The structure of internal audit is being reviewed, but there is a clear priority to address vacancies with the current team. It should be noted that recruitment and retention of key staff with requisite skills and experience continues to be a significant challenge for Slough.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Addressed?	Further action?
6	The Council should develop a comprehensive project plan for the improvement in governance arrangements: • Commission/learn from any external governance review undertaken with regular reporting through the Audit Committee • Strengthen Scrutiny and Audit Committee arrangements with external support to members • Establish a separate Finance Committee to monitor financial performance on a monthly basis	Statutory	July 2021	No	Recommendation is outstanding

Management update on progress to date (provided by the Council)

The Council has had a comprehensive project plan for democratic governance and scrutiny arrangements since Autumn 2022. The 2022 project plan for governance and scrutiny were published as background papers to the Cabinet report on improvement and recovery in November 2022. Prior to that date, and prior to the statutory intervention the Council was taking steps to improve its governance, focusing on the constitutional rules and training for officers to improve member reports. The statutory recommendations and external reviews have informed the project plan as well as internal reviews and assessments. There has been regular reporting to Audit and Corporate Governance Committee on internal audits, risk management and progress on the AGS for 2022/23 and this will continue for the AGS 2023/24.

An external review of scrutiny arrangements was reported to the committee in 2022, changes were made as a result, and an update review has recently been conducted and reported.
There has been a comprehensive member development programme, reported to and with oversight of the Standards Committee and this includes mentoring arrangements for scrutiny and audit members.
It is unclear whether the reference to a finance committee is to an executive decision-making committee of Cabinet or to a scrutiny or audit function. Financial performance is reviewed by Cabinet on a quarterly basis, with treasury management reporting to Audit and Corporate Governance Committee and Scrutiny having a role in budget management. The Council moved away from having standalone committee/panels for scrutiny in 2023 following a review by the Centre for Governance and Scrutiny, which recommended one single committee focused on corporate improvement. A more detailed update on the Audit and Corporate Governance Committee is provided under the recommendation above.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Addressed?	Further action?
7	Ensure that for important (in financial or strategic terms) decisions, sufficient and adequate information is made available to members within the formal governance processes to support the decisions made, including a comprehensive business case.	Statutory	February 2023	No	Recommendation is outstanding

Management update on progress to date (provided by the Council)

The Council has made significant improvements in the quality of member reports. Council officers are unaware of any decision being taken since 2021 which has not been made in accordance with its Constitution by either a constituted member body or a director with delegated authority, nor has it received any legal challenges alleging such a breach,

As highlighted in the 2023/24 AGS there are still concerns about late involvement of legal and finance officers and reports being published after the statutory deadline, but the quality of information to inform member decision making has improved.

The following are a selection of reports evidencing of the improvements since February 2023:

- North West Quadrant Disposal – the exempt reports can be made available to auditors on request, but include a detailed financial and commercial analysis. Report.pdf (slough.gov.uk)
- Remodelling of Children's Centres Cabinet Report template 2022.23 (slough.gov.uk)
- Early Help Partnership Strategy Cabinet Report template 2022.23 (slough.gov.uk)
- A4 Cycle Lane Cabinet Report template 2022.23 (slough.gov.uk)
- SCf Approval of business and improvement plan AGENDA ITEM (slough.gov.uk)
- ASC Carers' Strategy AGENDA ITEM (slough.gov.uk)
- Energy Contracts AGENDA ITEM (slough.gov.uk)
- Former Police Station disposal Cabinet Report template 2022.23 (slough.gov.uk)

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Addressed?	Further action?
8	Ensure that the informal Lead Members and Directors Group is not used as a substitute for formal decision -making by Cabinet and other parts of the formal member structure, ensuring that there is adequate consideration and documentation of important decisions within the formal decision -making arrangements	Statutory	February 2023	Yes	Recommendation closed

Management response

Recommendation closed - No formal decisions have been made by the Lead Member and Directors Group. It is not a decision-making body, but operates as a forum for directions of travel to be explored and reviewed. This is required for the essential running of a democratic organisation.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Addressed?	Further action?
9	Officers and members should continue to work together to deliver financial sustainability in the medium term. This will be achieved by: • increasing its level of reserves (earmarked and general reserves) • progressing the sale of assets under the capital direction • delivering recurrent savings • continuing to work with the Schools Forum and partners to ensure full delivery of the agreed Dedicated Schools Grant (DSG) management plan in order to stop the increase in the DSG deficit.	Key	May 2024	No	Recommendation is outstanding

Management update on progress to date (provided by the Council)

It is recognised that in the context of both local legacy and ongoing national funding pressures that the Council's medium term financial planning and budget setting arrangements need to improve, and further work is required to provide assurance on the financial sustainability of the Council. The first quarter for 2024/25 forecast a significant General Fund overspend, significant risk to the delivery of approved savings and the need to identify new mitigations to balance the budget. Officers reported to the September 16th Cabinet the identification of some £11.423m of recovery actions in order the balance the 2024/25 budget.

The basis of some prior years' budget assumptions are now having to be re-evaluated as our knowledge base gradually improves and we track performance to date. Furthermore, as we progress the backlog accounts process, we will continue to quantify the scale of legacy liabilities or assets, their impact on the "true" financial position of the Council and their risk to future financial sustainability. This is key to fixing the foundations of the Council. But we are also facing significant growth pressures, particularly in Adults Social Care and Homelessness, which also need to be contained.

The Council recognises the need for adequate levels of useable reserves, and it is clear that when taking account of the financial risks the Council is exposed to, that a level appropriate for most local authorities is unlikely to sufficient for Slough. Council officers also recognise the need for continued and improved working with the Schools Forum and partners to ensure full delivery of the DSG management plan. The Director of Financial Management has held a number of meetings with the Chair of the Schools Forum and a specialist Finance Business Partner has now been recruited to lead on the improvements.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Addressed?	Further action?
10	The Council should improve its governance arrangements for key decisions, made by members or made under the Council's scheme of delegation, to ensure that decisions: • follow the Council's decision making procedures • are made either by a formally constituted committee, or a Director who has delegated authority • are supported by adequate information, which includes the full cost and risks in relation to the decision, such as a comprehensive business case • are formally recorded and publicly available to promote openness and transparency. For investment decisions the Council should assess that those making a decision have appropriate information to make the decision but also have the capacity and skills to make the decision.	Key	May 2024	No	Recommendation is outstanding

Management update on progress to date (provided by the Council)

All key decisions are made by Full Cabinet, with the exception of urgent decisions, which can be made by the Leader.
The Council's 2022/23 Annual Governance Statement contained a review of its governance arrangements. This concluded that historic decision-making had been poorly supported by legal and financial advice and that new clearance deadlines and an increased focus on this at CLT had led to some improvements. It also assessed that significant improvements had been made in relation to decision-making at member level, including increasing the amount of information put in Part 1 (public) reports, improving the evidence base for decisions, delivering officer training on decision-making processes and report writing, improvements in data collection and analysis and requiring business cases for specific decisions. The assessment also referenced a historic reliance on fully Part 2 reports, detailed information only being taken to internal, informal boards and confusion as to the decision-making function of such boards. This included the Our Futures board.

Since 2021 the Council has moved away from wholly exempt reports, only putting information in an exempt appendix when it falls within a legal exemption and is deemed in the public interest for it to be exempt, for example due to commercial confidentiality or legal professional privilege. In relation to property transactions, where commercially confidential information cannot be put in a public report at the point of a decision being made, efforts have been made to provide more information in public at a later stage to increase transparency. In 2022 the Council's internal auditors conducted an audit of delegated decision-making and in response the Council has reviewed and amended its significant officer decision-making processes. Systems and training to ensure these are complied with have been put into place in 2023/24.

The Council has delegated its legal function to the London Borough of Harrow, which has held the Council's seal since the end of 2020. There is a process for obtaining evidence of and checking authority and an electronic sealing book to allow for easier checks to be made of authority for historic transactions. It is of note that it was during the sealing process that reliance on authority from the Strategic Acquisition Board was noted and legal staff required that proper authority from a constituted body or single officer was obtained in accordance with the Council's Constitution. This also resulted in executive decision-making rules, including the officer scheme of delegation, and financial procedure rules being reviewed and updated. The Strategic Acquisition Board was disbanded and all reference of it has been removed from the Constitution.

Urgency procedures have been amended to permit the Leader to make an urgent cabinet decision, with a public report published in advance and greater transparency than relying of emergency powers at officer level. Where call in has been waived, quarterly reports are presented to Council to report on this to further increase transparency. A governance learning programme has included focus on public law decision making, report writing, access to information and the role of scrutiny. CLT reviewed the corporate schedule of member level reports on a weekly basis to ensure that there is cross council discussion, and the new directorate team increase early engagement with legal and finance officers. Governance is also a feature of the induction programme for all new staff.

The AGS 2023/24 continued to flag report clearance as a necessary improvement area and as of September 2024 this was RAG rated as red due to continued issues with forward planning and late submission of reports. CLT has reflected on the causes of this and concluded that it is multifaceted and systemic. Phase 4 of the democratic governance improvement action plan, which launched in September 2024 contains further steps to assist with improvement and this will be a focus of the new interim democratic services manager.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Addressed?	Further action?
11	The Council should ensure it effectively manages Slough Children First Ltd (SCF), the wholly owned company which from April 2021 delivers its children's social care services, so that the Council is able to demonstrate that the services provide both quality and value for money services to families and children in Slough.	Key	May 2024	No	Recommendation is outstanding

Management update on progress to date (provided by the Council)

Slough Children First became wholly owned in April 2021 with a new service delivery contract operational from September 2021. The Council conducted a governance review in September 2022 reported to Cabinet in October 2022. Update reports were presented to the Audit and Corporate Governance Committee from December 2022 to March 2024 when it determined that sufficient progress had been made to allow this to be reported under contract monitoring arrangements.

In addition, Cabinet has approved annual business and improvement plans, and new contractual performance indicators were approved in December 2023. SCF produced an Annual Report for 2023/24 which was presented to Cabinet in September 2024.

The Council's scrutiny function has also reviewed the business plans, firstly by virtue of a task and finish group focused on workforce planning. This was reported in January 2023 to the then People Panel with the DLUHC commissioners commending the work undertaken and scope of coverage, recommending that the approach and learning should flow through into future work. An update was presented to the new Corporate Improvement Scrutiny Committee in January 2024 showing that satisfactory progress had been made all but 2 of the 18 recommendations.

Council officers accept there are improvements to be made in both governance and contractual performance, including demonstrating value for money, however SCF delivered on budget in 2023/24 and is projecting an underspend in 2024/25 on the basis its invest to save measures are delivering savings earlier than predicted, leading to a reduction in the contract sum to reflect more realistic assumptions.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Addressed?	Further action?
12	The Council should ensure it effectively manages all its subsidiaries and winds up those subsidiaries which are not delivering value to the Council.	Key	May 2024	No	Recommendation is outstanding

Management update on progress to date (provided by the Council)

The Council acknowledges that insufficient progress has been made to date in making the required improvements regarding the governance arrangements for its other subsidiaries, and there is still much work to do to ensure that it has adequate governance, oversight and financial arrangements in place. In addition to SCF the Council has 2 active companies – JEH, a company limited by shares, and GRE5 – a company limited by shares. The Council is also a key stakeholder in other corporate entities, including Development Initiative for Slough Housing Limited – a company limited by guarantee operating leased properties from the Council, and Slough Urban Renewal (SUR) – a limited liability partnership delivering regeneration projects.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Addressed?	Further action?
13	The Council should develop its corporate oversight to ensure it delivers improvements in economy, efficiency and effectiveness and address the following weaknesses: • Lack of understanding and cost comparisons with other similar local authorities • Inadequate arrangements to ensure the Council effectively delivers its role within significant partnerships • Inadequate procurement arrangements.	Key	May 2024	No	Recommendation is outstanding

Management update on progress to date (provided by the Council)

Whilst the report recognises the performance reporting improvements implemented since 2021/22, the Council acknowledges work still needs to be done to develop value for money KPIs and use those as a basis for realistic cost comparisons with similar local authorities. Officers also recognise the need to do more to understand the key drivers of costs. Starting in September 2024, as part of work relating to the development of the operating model and Medium-Term Financial Strategy, officers have undertaken a rapid review of benchmarkable costs and data in the services that have the greatest cost pressures.

Council officers understand that benchmarking reviews needs to be embedded into the process of transformation, continuous improvement, priority setting and the Medium-Term Financial Strategy. This will be built into the operating model and a suite of total cost VFM measures, across key services, aligning to those used across a broad range of local authorities will be developed.

To support this work, the Council subscribed to LG Inform in August 2024, which enables a comparison with performance with other Councils.14 staff from both Slough Children's First and the Council have also started new apprenticeships in data, digital, and transformation. The programmes are Data Analysis, Business Transformation, and Artificial Intelligence for Business Value. Staff will be connecting with their peers in Thurrock and South Gloucestershire LAs,

Council officers acknowledge that there is a need for more robust oversight of partnership working to harness collective efforts across the system, to improving outcomes for residents and move to a new operating model. The following actions are being progressed in support of this:

- Developing approach to partnership working with statutory partners, voluntary and community sector and residents has been identified as a key condition of success in the operating model design principles going to Cabinet in November 2024.
- Initial engagement sessions on the operating model are being arranged with partners for early November 2024 – to test design principles, identify priorities for partnership working and actions needed to develop the right environment for partnership working to be impactful.
- These sessions are being supported by a robust stakeholder analysis exercise which assesses strength of current relationships.
- Resources have been identified to support transformational work to develop a more systematic and robust approach to partnership working, community engagement and co-production, to be in place from January 2024.
- The priorities for partnership working that will be supported with this additional resource will be: 1) to ensure that a strategic overview and register of significant partnerships is formally maintained by corporate leadership and the Executive and that there is appropriate governance and oversight 2) support a refresh of the role of the council in its role as a convenor and in place leadership .

(continued)

Follow-up of previous recommendations

Management update on progress to date (continued)

Council officers are in regular contact with other Councils under intervention- particularly Woking, Thurrock and Croydon. Officers are also regularly participating in the Local Government Association's (LGA) Transformation Network. The Council also successfully applied to be a partner on the Transformation Partnership scheme. This scheme started in October 2024. The Transformation Partners matched with the Council are Croydon, Westminster and West Berkshire and the aim of the pilot is to support the development of the Council's transformation work through peer support. The Council also recently completed a peer review conducted by the LGA into equality, diversity and inclusion.

Whilst the report acknowledges improvements to procurement arrangements, officers are acutely aware that significant further development is required. In September 2024, the Council reviewed and refreshed its Contract Procedure (Procurement) Rules, so that they are now consistent with the requirements of the Procurement Act 2023 and provide the "how to" for the procurement process. A Procurement Strategy will be developed over the coming months to align with the requirement of the Procurement Act, in time for its planned implementation in February 2025, and the LGA's National Procurement Strategy for Local Government (2022). The Council has been working in collaboration with a number of London Boroughs, to share resources, best practice and learning in relation to the Procurement Act and have also liaised more widely with colleagues in the London Procurement Network to ensure there is a shared understanding of the opportunities, challenges and implications of the act.

But there is significant work in train to improve compliance arrangements, including continuing to update and reconcile contract register information to finance data held in the Council's financial systems, to ensure spend aligns to contract and off-contract spend is minimised. An independent review will be undertaken of procurement and contract management practices across the Council to ensure the structural and operational arrangements align with best practice. The review will be undertaken during this financial year.

Appendices

Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

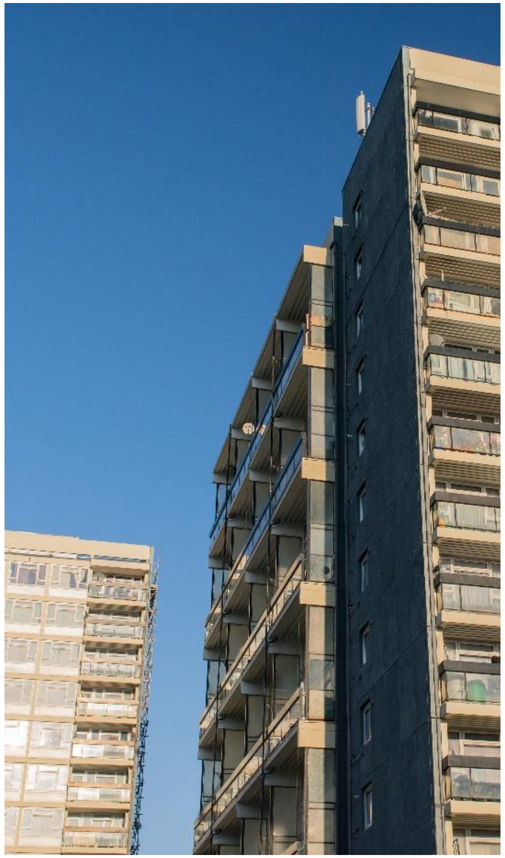
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B: Value for Money Auditor responsibilities

Value for Money arrangements work

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The audited body's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

Financial Sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).

Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

2023/24 is the fourth year of the Code, and we undertake and report the work in three phases as set out in the Code.

Phase 1 – Planning and initial risk assessment

As part of our planning we assess our knowledge of the Council's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period

Information which informs our risk assessment	
Cumulative knowledge and experience of the audited body	Annual Governance Statement and the Head of Internal Audit annual opinion
Interviews and discussions with key stakeholders	The work of inspectorates and other regulatory bodies
Progress with implementing recommendations	Key documents provided by the audited body
Findings from our opinion audit	Our knowledge of the sector as a whole

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations. A range of different recommendations can be raised by the Council's auditors as follows:

- **Statutory recommendations** – actions which should be taken where significant weaknesses are identified with arrangements. These are made under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 and require discussion at full Council and a public response.
- **Key recommendations** – actions which should be taken by the Council where significant weaknesses are identified within arrangements.
- **Improvement recommendations** – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Council's arrangements.